

THE  
NORTH CAROLINA  
MEDICAL CARE COMMISSION

THE  
HEALTH CARE  
FACILITIES FINANCE ACT  
ANNUAL REPORT

JUNE 30, 2006

***“It is hereby declared to be the policy of the State of North Carolina to promote the public health and welfare by providing means for financing, refinancing, acquiring, constructing, equipping and providing of health care facilities to serve the people of the State and to make accessible to them modern and efficient health care facilities”***

*G e n e r a l   S t a t u t e   1 3 1 A - 2*

# THE NORTH CAROLINA MEDICAL CARE COMMISSION

## ROLE OF THE COMMISSION

The North Carolina Medical Care Commission was created primarily as a result of the findings of the North Carolina Hospital and Medical Care Commission, a special commission appointed in 1944 to study the critical shortages in general hospital facilities and trained medical personnel in the State of North Carolina and to make recommendations for improvements in these areas. Among the recommendations made was that the legislature provide for a permanent State agency that would be responsible for the maintenance of high standards in North Carolina's hospitals, and the administration of a medical student loan fund, and a Statewide hospital and medical care program.

The Commission was established in 1945 and empowered by its enabling legislation to, among other things:

1. make a survey of the hospital resources of the State and formulate a Statewide program for construction and maintenance of local hospitals, health centers and related facilities, and receive and administer federal and State Funds appropriated for such purposes;
2. make loans to medical students; and
3. survey all factors concerning the location of the expanded university medical school. (The same act authorized the expansion of the University of North Carolina Medical School from a two-year to a four-year program).

In 1946, Congress passed the Hospital Survey and Construction Act (Hill-Burton) to provide funds for the construction and renovation of health care facilities, and the Commission was designated as the State agency empowered to administer the program within North Carolina. Under this program, which is also known as the Hill-Burton program, health care facility construction in North Carolina totaled more than \$500 million dollars, of which 40 percent was provided by federal sources, 5 percent by the State, and 55 percent by local sponsors. Of the more than 500 Hill-Burton projects approved by the Commission between 1946 and 1976, 241 were general hospital projects, including 80 completely new facilities.

Pursuant to the Executive Organization Act of 1973, the 17-member Commission was incorporated into the Department of Health and Human Services. Three members of the Commission are nominated by the North Carolina Medical Society, one by the North Carolina Pharmaceutical Association, one by the North Carolina State Nurses' Association, one by the North Carolina Hospital Association, and one by the Duke Endowment. Each nomination is subject to the Governor's approval. In addition, ten members, one of whom must be a dentist, are appointed by the Governor. Each member is appointed to a four-year term and memberships are staggered. The Commission is attached organizationally to the Department of Health and Human Services, Division of Facility Services, and is staffed by that Agency. Since its inception the Commission has been assigned new responsibilities, while some of the original activities are either no longer needed or are carried out elsewhere. Today the Commission is responsible for the development of rules for:

1. the licensure and operations of hospitals, hospices, free-standing outpatient surgical facilities, nursing homes, home health agencies, home care agencies, nursing pools, and adult care facilities;
2. the regulation of ambulances and emergency medical services personnel;
3. the financing of construction and modernization projects for qualifying health care facilities.

In 1975, the North Carolina General Assembly enacted the Health Care Facilities Finance Act. The Act provides that the North Carolina Medical Care Commission may conduct financing activities to "acquire, construct, equip, or provide health care facilities for any public or nonprofit agency." The Act defines health care facilities as "any building, addition, or improvement including machinery, equipment, or furnishings that are suitable for health care." This definition includes but is not necessarily limited to: general acute care or specialty hospitals, nursing homes, continuing care facilities for the elderly, health care clinics, and outpatient facilities; laboratories and research facilities; laundries and other ancillary service facilities; training facilities for health care personnel, administration buildings, parking lots, garages, and other buildings normally under the jurisdiction of health care facilities.

The law provides that to qualify for assistance under the Act a project must meet several criteria:

1. the applicant must be a non-profit agency or public agency as defined in General Statute 131A-3;
2. the Commission must be satisfied that there is a need for the project in the area where it is to be located;
3. the project applicant must be financially responsible and capable of fulfilling its obligation for making debt service payments;
4. all public facilities such as utilities and other public services necessary for the health care facility must be made available; and
5. all costs associated with the project must be borne by the applicant and not the State.

While several states have health care finance authorities, which issue tax-exempt bonds, the organization and authority of the North Carolina Medical Care Commission make it unique. First, it is not a quasi-independent authority. It is an operational agency of the executive branch of North Carolina State Government, located in the Department of Health and Human Services. Second, it has an affiliation that covers all the major steps involved in a construction project, either directly or through the Division of Facility Services which staffs the Commission. The Division of Facility Services develops the State Medical Facilities Plan, issues Certificates of Need, assists in project development, approves construction plans, monitors the construction process, and finally licenses the facility.

## **OUTSTANDING DEBT**

As of June 30, 2006, the Commission had issued revenue bonds or notes for 302 projects. The total authorized principal amount of all such financings was \$11,088,412,802 and the total outstanding principal amount of all such financings as of June 30, 2006 was \$5,914,115,294 excluding financings that have been refunded. Each issue is payable solely from revenues derived from each corporate entity financed, is separately secured, and is separate and independent from all other series of bonds as to source of payment and security.

## **MEMBERSHIP**

As of June 30, 2006 the Commission consisted of the following 17 members:

<b>Name</b>	<b>Term</b>	<b>Principal Occupation</b>	<b>Residence</b>
Lucy Hancock Bode Chairperson	1993-2005 *	Housewife/Health Consultant	Raleigh
Joseph D. Crocker Vice-Chairperson	1988-2008	Director of Operations Z. Smith Reynolds Foundation	Winston-Salem
Martha Barham	2005-2010	Registered Nurse	High Point
Andrea Bazan-Manson	2005-2008	President, Triangle Community Foundation	Raleigh
George A. Binder, M.D.	2004-2007	Physician	Fayetteville
Robert F. Burgin	2000-2008	Hospital Administrator	Asheville
George H. V. Cecil	1987-2007	Chairman, Biltmore Dairy Farms, Inc.	Asheville
Gerald P. Cox	2002-2010	Health Care Executive	Rocky Mount
John A. Fagg, M.D.	2004-2007	Physician	Winston-Salem
Michael Hubbard	2005-2008	Attorney	Raleigh
Clifford B. Jones, Jr., D.D.S.	1995-2007	Dentist	Elizabeth City
Albert F. Lockamy	1986-2010	Pharmacist	Raleigh
Mary L. Piepenbring	2005-2009	Director, Health Care Division The Duke Endowment	Charlotte
Carl K. Rust, II, M.D.	2002-2009	Physician	Wilmington
Robert E. Schaaf, M.D.	2005-2010	Physician	Raleigh

Henry A. Unger, M.D.	1998-2009	Urologist	Cary
Margaret Weller-Stargell	2006-2009	President/CEO Coastal Horizons Center	Wilmington

\* Members whose term expired on June 30, 2005 continue to serve until re-appointed or a successor is appointed and qualified.

## **STAFF OF THE COMMISSION**

The Division of Facility Services of the Department of Health and Human Services employs a staff of approximately 440 persons, (including registered architects, professional engineers and consultants in fields of emergency medicine, hospital administration, nursing service and administration, dietetics and nutrition and laboratory design and operation), the services of whom are available to and used by the Commission. The Division of Facility Services provides all necessary administrative and clerical assistance to the Commission.

## **ADMINISTRATIVE PERSONNEL**

Robert J. Fitzgerald, Secretary  
Christopher B. Taylor, CPA, Assistant Secretary  
William L. Warren, Chief of Construction Section, Division of Facility Services  
Kathy C. Larrison, Auditor  
G. Kelly Vick, Administrative Assistant  
Alice S. Creech, Bond Program Assistant

**SCHEDULE OF BOND ISSUES AND OUTSTANDING DEBT**

		<b>DATE OF ISSUE</b>	<b>AUTHORIZED PRINCIPAL AMOUNT</b>	<b>PRINCIPAL AMOUNT OUTSTANDING AS OF 06/30/06</b>
Presbyterian Hospital Charlotte, North Carolina		12/21/1977	\$20,000,000	\$0 (a)
Lexington Memorial Hospital Lexington, North Carolina		03/01/1978	6,510,000	(ss)
Rex Hospital Raleigh, North Carolina		06/01/1978	31,535,000	0 (y)
Duke University Hospital Durham, North Carolina		07/01/1978	79,000,000	0 (b)
Cape Fear Memorial Hospital Wilmington, North Carolina		07/01/1978	3,600,000	0
Memorial Mission Hospital of Western North Carolina Asheville, North Carolina		01/01/1979	35,100,000	0 (c)
Duke University Hospital Durham, North Carolina		01/01/1979	6,650,000	0 (b)
Annie Penn Memorial Hospital Reidsville, North Carolina		05/01/1979	7,650,000	0 (t)
Stanly Memorial Hospital Albemarle, North Carolina		05/01/1979	7,535,000	0 (p)
Moore Regional Healthcare Corporation Pinehurst, North Carolina		08/23/1979	10,710,000	0 (d)
Duke University Hospital Durham, North Carolina	Series B	06/25/1980	6,736,000	0
		07/01/1980	7,930,000	0 (b)
Carolinas Hospital and Health Services Charlotte, North Carolina		07/22/1980	200,000	0
Mercy Hospital Charlotte, North Carolina		01/01/1981	8,275,000	0 (e)

**SCHEDULE OF BOND ISSUES AND OUTSTANDING DEBT**

	<b>DATE OF ISSUE</b>	<b>AUTHORIZED PRINCIPAL AMOUNT</b>	<b>PRINCIPAL AMOUNT OUTSTANDING AS OF 06/30/06</b>
The Greater Carolinas Chapter of the American National Red Cross Charlotte, North Carolina	03/01/1981	\$2,500,000	\$0
Memorial Hospital of Alamance County Burlington, North Carolina	04/01/1981	7,000,000	0 (u)
Carolinas Hospital and Health Services (Sun Health) Charlotte, North Carolina	04/08/1981	500,000	0
Scotland Memorial Hospital Laurinburg, North Carolina	06/01/1981	10,800,000	0 (m)
Rex Hospital Raleigh, North Carolina	12/15/1981	760,000	0
Morehead Memorial Hospital Eden, North Carolina	02/01/1982	6,000,000	0 (z)
Chatham Hospital Siler City, North Carolina	06/16/1982	355,000	0
Grace Hospital Morganton, North Carolina	08/01/1982	9,465,000	0 (f)
Carolinas Hospital and Health Services (Sun Health) Charlotte, North Carolina	08/04/1982	600,000	0
Southeastern General Hospital Lumberton, North Carolina	09/01/1982	14,100,000	0 (g)
Community General Hospital Thomasville, North Carolina	12/01/1982	3,100,000	0 (q)
Grace Hospital Morganton, North Carolina	07/01/1983	10,855,000	0 (j)
High Point Regional Hospital High Point, North Carolina	09/01/1983	29,820,000	0 (k)



SCHEDULE OF BOND ISSUES AND OUTSTANDING DEBT

	DATE OF ISSUE	AUTHORIZED PRINCIPAL AMOUNT	PRINCIPAL AMOUNT OUTSTANDING AS OF 06/30/06
Grace Hospital Morganton, North Carolina	11/01/1983	\$8,870,000	\$0 (j)
Mercy Hospital Charlotte, North Carolina	11/10/1983	2,205,000	0
Rowan Memorial Hospital Salisbury, North Carolina	03/16/1984	1,833,000	0
High Point Regional Hospital High Point, North Carolina	04/16/1984	915,000	0
The Episcopal Home for the Ageing in the Diocese of North Carolina (Penick Village) Southern Pines, North Carolina	05/01/1984	6,200,000	0 (h)
Memorial Mission Hospital of Western North Carolina Asheville, North Carolina	05/02/1984	1,475,000	0
St. Joseph's Hospital Asheville, North Carolina	06/15/1984	30,330,000	0 (n)
The Moses H. Cone Memorial Hospital Greensboro, North Carolina	08/01/1984	29,330,000	0 (aa)
Alamance County Hospital Burlington, North Carolina	02/22/1985	2,504,000	0 (u)
Wesley Long Community Hospital Greensboro, North Carolina	04/01/1985	10,670,000	0 (ee)
The Greater Carolinas Chapter of the American National Red Cross Charlotte, North Carolina	04/24/1985	845,000	0
Carolina Medicorp, Inc. Winston-Salem, North Carolina	05/01/1985	36,550,000	0 (l)
Presbyterian Hospital Charlotte, North Carolina	05/24/1985	8,700,000	0 (i)

**SCHEDULE OF BOND ISSUES AND OUTSTANDING DEBT**

	<b>DATE OF ISSUE</b>	<b>AUTHORIZED PRINCIPAL AMOUNT</b>	<b>PRINCIPAL AMOUNT OUTSTANDING AS OF 06/30/06</b>
Southeastern General Hospital Lumberton, North Carolina	07/01/1985	\$16,345,000	\$0 (v)
Duke University Hospital Durham, North Carolina	07/01/1985	48,245,000	0 (mm)
North Carolina Baptist Hospitals, Inc. Winston Salem, North Carolina	07/15/1985	86,000,000	0 (w)
Bowman Gray School of Medicine of Wake Forest University Winston Salem, North Carolina	07/15/1985	42,000,000	0
Mercy Hospital Charlotte, North Carolina	08/01/1985	29,980,000	0 (bb)
The Episcopal Home for the Ageing in the Diocese of North Carolina (Penick Village) Southern Pines, North Carolina	08/01/1985	8,180,000	0 (ff)
The United Church Retirement Home, Inc. Thomasville, North Carolina	08/01/1985	6,400,000	0 (nn)
Duke University Hospital Durham, North Carolina	10/02/1985	43,500,000	0
Presbyterian Hospital Charlotte, North Carolina	12/01/1985	24,000,000	0 (r)
Southminster, Inc. Charlotte, North Carolina	12/01/1985	23,825,000	0 (oo)
Pooled Equipment Financing Project, Series 1985 Raleigh, North Carolina	12/01/1985	100,000,000	52,400,000
The Moses H. Cone Memorial Hospital Greensboro, North Carolina	12/01/1985	15,000,000	0 (aa)
Moore Memorial Hospital Pinehurst, North Carolina	12/01/1985	10,980,000	0

**SCHEDULE OF BOND ISSUES AND OUTSTANDING DEBT**

	<b>DATE OF ISSUE</b>	<b>AUTHORIZED PRINCIPAL AMOUNT</b>	<b>PRINCIPAL AMOUNT OUTSTANDING AS OF 06/30/06</b>
Memorial Mission Hospital of Western North Carolina Asheville, North Carolina	12/01/1985	\$25,855,000	\$0
Duke University Hospital Durham, North Carolina	12/18/1985	34,415,000	0
The McDowell Hospital Marion, North Carolina	06/01/1986	8,935,000	0 (x)
Pooled Financing Project Series 1986 Raleigh, North Carolina	07/01/1986	100,000,000	0
Cornelia Nixon Davis Nursing Home Wilmington, North Carolina	10/16/1986	980,980	0
Grace Hospital Morganton, North Carolina	02/01/1987	23,450,000	0 (tt)
High Point Regional Hospital Greensboro, North Carolina	02/01/1987	34,280,000	0 (xx)
Blumenthal Jewish Home Clemmons, North Carolina	03/25/1987	6,600,000	0 (o)
Carolina Medicorp, Inc. Winston-Salem, North Carolina	08/01/1987	53,142,316	0 (cc)
Wesley Long Community Hospital Greensboro, North Carolina	08/15/1987	25,715,000	0 (ee)
The Methodist Home, Inc. Charlotte, North Carolina	02/01/1988	13,500,000	0
The Greater Carolinas Chapter of the American National Red Cross Charlotte, North Carolina	06/01/1988	2,750,000	0
Memorial Mission Hospital of Western North Carolina Asheville, North Carolina	06/15/1988	21,337,717	0 (gg)

**SCHEDULE OF BOND ISSUES AND OUTSTANDING DEBT**

	<b>DATE OF ISSUE</b>	<b>AUTHORIZED PRINCIPAL AMOUNT</b>	<b>PRINCIPAL AMOUNT OUTSTANDING AS OF 06/30/06</b>
Scotland Memorial Hospital Laurinburg, North Carolina	06/01/1988	\$14,087,969	\$0 (hh)
Davidson Retirement Community, Inc. Davidson, North Carolina	09/15/1988	24,210,000	0 (ii)
St. Joseph's Hospital Asheville, North Carolina	11/01/1988	34,553,639	0 (jj)
Blumenthal Jewish Home Clemmons, North Carolina	11/01/1988	6,350,000	0
Fletcher Hospital, Incorporated DBA Park Ridge Hospital Fletcher, North Carolina	12/01/1988	20,300,000	0 (eeee)
Gaston Health Care Support, Inc. Gastonia, North Carolina	05/01/1989	42,472,967	0 (pp)
Roanoke-Chowan Hospital Ahoskie, North Carolina	07/01/1989	12,165,000	0 (ddd)
Transylvania Community Hospital Brevard, North Carolina	09/01/1989	4,060,000	0 (yy)
Stanly Memorial Hospital Albemarle, North Carolina	11/01/1989	17,285,000	0 (qq)
The Forest at Duke, Inc. Durham, North Carolina	04/16/1990	3,150,000	0 (s)
Angel Community Hospital Franklin, North Carolina	05/01/1990	7,050,000	0 (zz)
Presbyterian Hospital Charlotte, North Carolina	10/01/1990	101,108,090	0 (dd)
Community General Hospital Thomasville, North Carolina	10/01/1990	6,860,000	0 (aaa)

SCHEDULE OF BOND ISSUES AND OUTSTANDING DEBT

	DATE OF ISSUE	AUTHORIZED PRINCIPAL AMOUNT	PRINCIPAL AMOUNT OUTSTANDING AS OF 06/30/06
The Greater Carolinas Chapter of the American National Red Cross Charlotte, North Carolina	11/01/1990	\$5,150,000	\$0
The Forest at Duke, Inc. Durham, North Carolina	11/01/1990 01/15/1990	53,630,000 965,000	0 (kk) 0
Wilson Memorial Hospital Wilson, North Carolina	12/01/1990	53,658,422	0 (uu)
St. Joseph of the Pines, Inc. Southern Pines, North Carolina	01/01/1991	3,350,000	0 (eee)
Memorial Mission Hospital, Inc. Asheville, North Carolina	02/05/1991	2,055,870	0
Pooled Financing Project Series 1991 A Raleigh, North Carolina	03/01/1991	54,300,000	200,000
Carolina Medicorp, Inc. Winston Salem, North Carolina	04/01/1991	50,152,471	0 (aaa)
Chapel Hill Residential Retirement Center DBA Carol Woods Chapel Hill, North Carolina	04/01/1991	25,900,000	0 (nnn)
Wayne Memorial Hospital Goldsboro, North Carolina	05/01/1991	41,016,323	0 (fff)
Valdese General Hospital Valdese, North Carolina	05/15/1991	11,390,000	0 (ggg)
Pooled Financing Project Series 1991 B Raleigh, North Carolina	06/01/1991	22,500,000	3,300,000
Duke University Hospital Durham, North Carolina	06/01/1991	14,872,987	0 (mm)
C. J. Harris Community Hospital Sylva, North Carolina	07/26/1991	1,384,246	0 (ll)

**SCHEDULE OF BOND ISSUES AND OUTSTANDING DEBT**

	<b>DATE OF ISSUE</b>	<b>AUTHORIZED PRINCIPAL AMOUNT</b>	<b>PRINCIPAL AMOUNT OUTSTANDING AS OF 06/30/06</b>
Glenaire, Inc. Cary, North Carolina	10/01/1991	\$27,565,000	\$0 (rr)
Annie Penn Memorial Hospital Reidsville, North Carolina	11/01/1991	13,140,000	0 (bbb)
Well Spring Retirement Community, Inc. Greensboro, North Carolina	11/01/1991	44,495,000	0 (ww)
Southeastern General Hospital Lumberton, North Carolina	11/01/1991	27,835,626	0
The McDowell Hospital Marion, North Carolina	11/01/1991	8,780,000	0 (III)
North Carolina Baptist Hospitals, Inc. Winston Salem, North Carolina	01/01/1992	87,456,982	0 (ffff)
Friends Home, Inc. Greensboro, North Carolina	02/01/1992	34,405,000	0 (vv)
Alamance Health Service, Inc. Burlington, North Carolina	02/15/1992	18,315,000	0 (hhh)
Halifax Memorial Hospital Roanoke Rapids, North Carolina	06/15/1992	21,995,000	0 (iii)
Memorial Mission Hospital Asheville, North Carolina	07/01/1992	40,794,261	0 (jjj)
Carolina Medicorp, Inc. Winston-Salem, North Carolina	08/01/1992	57,100,495	0 (vvv)
Presbyterian Health Services Corp. Charlotte, North Carolina	10/01/1992	70,385,000	0 (aaa)
North Carolina Baptist Hospitals Winston Salem, North Carolina	10/29/1992	55,000,000	55,000,000

**SCHEDULE OF BOND ISSUES AND OUTSTANDING DEBT**

		<b>DATE OF ISSUE</b>	<b>AUTHORIZED PRINCIPAL AMOUNT</b>	<b>PRINCIPAL AMOUNT OUTSTANDING AS OF 06/30/06</b>
Mercy Hospital Charlotte, North Carolina		11/01/1992	\$34,335,000	\$0
The Moses H. Cone Memorial Hospital Greensboro, North Carolina		01/28/1993	61,600,000	61,600,000
Rex Hospital Raleigh, North Carolina		01/01/1993	68,060,075	0 (ccc)
Alamance Health Services, Inc. Burlington, North Carolina		03/01/1993	53,000,000	42,075,000
Morehead Memorial Hospital Eden, North Carolina		05/01/1993	11,010,000	0 (gggg)
Presbyterian Health Services Corp. Charlotte, North Carolina		06/01/1993	114,595,000	0 (vvv)
Duke University Hospital Durham, North Carolina		08/12/1993	28,650,000	28,650,000
Memorial Mission Hospital Asheville, North Carolina		07/15/1993	24,245,000	0 (www)
The Episcopal Home for the Aging in the Diocese of North Carolina (Penick Village) Southern Pines, North Carolina	Series A Series B	10/01/1993 10/01/1993	8,000,000 290,000	0 (xxx) 0
Moore Regional Hospital Pinehurst, North Carolina		10/01/1993	50,150,373	0 (ppp)
Wesley Long Community Hospital Greensboro, North Carolina		11/15/1993	39,065,000	0 (hhhh)
Scotland Memorial Hospital Laurinburg, North Carolina		12/01/1993	20,905,000	9,150,000
St. Joseph's Hospital Asheville, North Carolina		01/01/1994	35,970,000	0 (jjj)

**SCHEDULE OF BOND ISSUES AND OUTSTANDING DEBT**

	<b>DATE OF ISSUE</b>	<b>AUTHORIZED PRINCIPAL AMOUNT</b>	<b>PRINCIPAL AMOUNT OUTSTANDING AS OF 06/30/06</b>
Davidson Retirement Community, Inc. Davidson, North Carolina	01/01/1994	\$17,090,000	\$12,295,000
The Forest at Duke, Inc. Durham, North Carolina	03/01/1994	35,685,000	300,000 (yyy)
C. J. Harris Community Hospital Sylva, North Carolina	03/15/1994	15,000,000	0 (qqq)
Pooled Financing Project Series 1994 Raleigh, North Carolina	05/12/1994	16,100,000	0
Southminster, Inc. Charlotte, North Carolina	07/01/1994	19,500,000	0 (rrr)
United Church Retirement Home Newton, North Carolina	09/15/1994	19,065,000	0 (kkk)
The Moses H. Cone Memorial Hospital Greensboro, North Carolina	06/15/1995	15,000,000	0
Gaston Memorial Hospital Gastonia, North Carolina	10/15/1995	62,580,000	43,605,000
Pavillon International (Michigan nonprofit corporation)	12/14/1995	5,100,000	0
Glenaire, Inc. Cary, North Carolina	02/15/1996	22,120,000	1,400,000 (iii)
Pooled Financing Project Series 1996 Raleigh, North Carolina	05/08/1996	45,100,000	0
Stanly Memorial Hospital Albemarle, North Carolina	05/01/1996	28,990,000	17,875,000
North Carolina Baptist Hospitals, Inc. Winston-Salem, North Carolina	06/27/1996	50,000,000	19,500,000 (mmm)



# SCHEDULE OF BOND ISSUES AND OUTSTANDING DEBT

	DATE OF ISSUE	AUTHORIZED PRINCIPAL AMOUNT	PRINCIPAL AMOUNT OUTSTANDING AS OF 06/30/06
Grace Hospital Morganton, North Carolina	08/15/1996	\$26,240,000	\$18,595,000
Saint Joseph of the Pines Pinehurst, North Carolina	09/24/1996	10,000,000	0 (eee)
Duke University Durham, North Carolina	10/01/1996	121,379,383	10,114,383 (jjjj)
Lincoln Health System Lincolnton, North Carolina	11/20/1996	12,800,000	10,100,000
Southminster, Inc. Charlotte, North Carolina	11/01/1996	5,055,000	5,055,000
Carolina Medicorp, Inc. Winston-Salem, North Carolina	11/01/1996	104,428,199	86,713,199
Friends Home Greensboro, North Carolina	12/01/1996	25,715,000	0 (zzz)
Lincoln Health System Lincolnton, North Carolina	12/12/1996	2,500,000	0
Cypress Glen Durham, North Carolina	12/01/1996	20,130,000	0 (aaaa)
ACTS West Point, Pennsylvania	12/19/1996	37,655,000	0 (sss)
Wilson Memorial Hospital Wilson, North Carolina	02/01/1997	50,953,361	34,473,361
Well Spring Retirement Community, Inc. Greensboro, North Carolina	02/15/1997	40,060,000	4,630,000 (bbbb)
Wake County Hospital System, Inc. Raleigh, North Carolina	03/01/1997	108,550,000	90,825,000

**SCHEDULE OF BOND ISSUES AND OUTSTANDING DEBT**

	<b>DATE OF ISSUE</b>	<b>AUTHORIZED PRINCIPAL AMOUNT</b>	<b>PRINCIPAL AMOUNT OUTSTANDING AS OF 06/30/06</b>
Cabarrus Memorial Hospital Concord, North Carolina	03/13/1997	\$20,175,000	\$0 (ttt)
Lexington Memorial Hospital Lexington, North Carolina	04/09/1997	16,500,000	6,000,000
Spruce Pine Community Hospital (Blue Ridge Hospital System Inc.) Spruce Pine, North Carolina	07/17/1997	2,935,000	2,435,000
Deerfield Episcopal Retirement Community Asheville, North Carolina	11/01/1997	73,780,000	50,000 (cccc)
Transylvania Community Hospital Brevard, North Carolina	11/01/1997	4,855,000	3,685,000
High Point Regional Health System High Point, North Carolina	11/01/1997	29,880,000	13,995,000
Givens Estates, Inc. Asheville, North Carolina	11/18/1997	12,000,000	0 (dddd)
Angel Medical Center Franklin, North Carolina	11/21/1997	13,475,000	9,420,000
Glenaire, Inc. Cary, North Carolina	12/01/1997	14,395,000	13,035,000
Pungo District Hospital Belhaven, North Carolina	12/23/1997	4,000,000	2,600,000
DePaul Community Facilities Rochester, New York	01/28/1998	4,645,000	3,900,000
First Health of the Carolinas Pinehurst, North Carolina	02/01/1998	88,335,000	77,685,000
Annie Penn Memorial Hospital Reidsville, North Carolina	03/15/1998	13,460,000	0

**SCHEDULE OF BOND ISSUES AND OUTSTANDING DEBT**

	<b>DATE OF ISSUE</b>	<b>AUTHORIZED PRINCIPAL AMOUNT</b>	<b>PRINCIPAL AMOUNT OUTSTANDING AS OF 06/30/06</b>
Rex Healthcare Raleigh, North Carolina	03/15/1998	\$124,215,000	\$97,960,000
Mission-Thoms-St. Joseph's Health Services Asheville, North Carolina	03/17/1998	4,670,000	0
Novant Health Winston-Salem, North Carolina	04/01/1998	121,425,000	99,835,000
Lutheran Services for the Aging Salisbury, North Carolina	04/02/1998	23,625,000	22,820,000
Stanley Total Living Center Stanley, North Carolina	04/23/1998	4,210,000	2,810,000
Cornelia Nixon Davis Health Care Center Wilmington, North Carolina	06/17/1998	7,500,000	6,525,000
Carolina Meadows Chapel Hill, North Carolina	06/23/1998	5,000,000	0 (kkkk)
Catholic Health East (St. Joseph of the Pines) Pinehurst, North Carolina	06/15/1998	41,945,000	37,260,000
Catholic Health East (St. Joseph of the Pines) Pinehurst, North Carolina	07/15/1998	30,000,000	30,000,000
United Church Retirement Homes Newton, North Carolina	07/01/1998	19,705,000	0 (IIII)
Alamance Regional Medical Center Burlington, North Carolina	07/01/1998	16,575,000	12,955,000
The Presbyterian Home at Charlotte (Sharon Towers) Charlotte, North Carolina	08/25/1998	8,500,000	0 (ooo)
Gaston Health Care Gastonia, North Carolina	08/01/1998	82,935,000	51,870,000 (uuu)

**SCHEDULE OF BOND ISSUES AND OUTSTANDING DEBT**

	<b>DATE OF ISSUE</b>	<b>AUTHORIZED PRINCIPAL AMOUNT</b>	<b>PRINCIPAL AMOUNT OUTSTANDING AS OF 06/30/06</b>
Duke University Health System Durham, North Carolina	08/01/1998	\$83,235,000	\$8,990,000 (jjjj)
Valdese General Hospital Valdese, North Carolina	09/03/1998	11,030,000	0 (mmmm)
Pitt County Memorial Hospital Greenville, North Carolina	09/01/1998	207,170,000	28,430,000 (pppp)
Halifax Regional Medical Center Roanoke Rapids, North Carolina	09/01/1998	33,670,000	23,120,000
Wayne Memorial Hospital Goldsboro, North Carolina	09/15/1998	41,310,000	32,800,000
Duke University Health System Durham, North Carolina	10/01/1998	199,300,000	20,975,000 (jjjj)
Carolina Village Hendersonville, North Carolina	10/21/1998	7,700,000	6,300,000
Novant Health Winston-Salem, North Carolina	10/01/1998	57,925,000	55,650,000
Pitt County Memorial Hospital Greenville, North Carolina	10/01/1998	84,000,000	10,920,000
J. Arthur Doshier Memorial Hospital Southport, North Carolina	11/12/1998	5,000,000	3,875,000
Moses Cone Health System Greensboro, North Carolina	11/12/1998	15,000,000	0
Cabarrus Memorial Hospital (NorthEast Medical Center) Concord, North Carolina	11/01/1998	15,405,000	9,405,000
Mission-St. Joseph's Health System Asheville, North Carolina	11/01/1998	114,650,000	102,910,000

**SCHEDULE OF BOND ISSUES AND OUTSTANDING DEBT**

	<b>DATE OF ISSUE</b>	<b>AUTHORIZED PRINCIPAL AMOUNT</b>	<b>PRINCIPAL AMOUNT OUTSTANDING AS OF 06/30/06</b>
Lutheran Retirement Ministries of Alamance County (Twin Lakes) Burlington, North Carolina	01/14/1999	\$20,465,000	\$15,120,000
The Cross Road Rest and Retirement Center Asheboro, North Carolina	03/11/1999	5,700,000	4,225,000
Randolph Hospital Asheboro, North Carolina	03/18/1999	25,970,000	21,470,000
WakeMed Raleigh, North Carolina	04/22/1999	36,265,000	0
High Point Regional Health System High Point, North Carolina	04/01/1999	61,070,000	49,860,000
Transylvania Community Hospital Brevard, North Carolina	08/01/1999	1,000,000	0
North Carolina Cancer Institute Lumberton, North Carolina	08/01/1999	1,500,000	1,172,607
Scotland Memorial Hospital Laurinburg, North Carolina	07/15/1999	13,500,000	9,505,000
Moravian Home, Incorporated (Salem townne) Winston-Salem, North Carolina	10/01/1999	15,595,000	13,190,000
Stanly Memorial Hospital Albemarle, North Carolina	10/15/1999	15,000,000	13,725,000
Southeastern Regional Medical Center Lumberton, North Carolina	10/15/1999	25,270,000	17,565,000
DePaul Community Facilities Rochester, New York	12/07/1999	14,315,000	13,750,000
The McDowell Hospital Marion, North Carolina	12/16/1999	6,765,000	4,790,000

**SCHEDULE OF BOND ISSUES AND OUTSTANDING DEBT**

		<b>DATE OF ISSUE</b>	<b>AUTHORIZED PRINCIPAL AMOUNT</b>	<b>PRINCIPAL AMOUNT OUTSTANDING AS OF 06/30/06</b>
North Carolina Housing Foundation Winston-Salem, North Carolina		02/01/2000	\$11,970,000	\$11,240,000
Grace Hospital, Inc. Morganton, North Carolina		03/16/2000	20,700,000	0 (mmmm)
North Carolina Baptist Hospitals, Inc. Winston-Salem, North Carolina		06/15/2000	150,800,000	127,100,000
United Methodist Retirement Homes Croasdaile Village Durham, North Carolina		09/28/2000	46,465,000	0 (qqqq)
United Methodist Retirement Homes Croasdaile Village Durham, North Carolina		09/28/2000	15,795,000	0 (nnnn)
NorthEast Medical Center Concord, North Carolina		10/27/2000	32,290,000	25,710,000
Mission-St. Joseph's Asheville, North Carolina		12/12/2000	4,775,000	0
Presbyterian Homes Jamestown, North Carolina		02/21/2001	91,885,000	76,885,000 (iiii)
Providence Place High Point, North Carolina	Series A	04/29/2001	11,235,000	11,140,000
	Series B	04/29/2001	175,000	0
WakeMed Raleigh, North Carolina		04/05/2001	150,000,000	150,000,000
Moravian Home (Salem towne) Winston-Salem, North Carolina		04/26/2001	24,215,000	24,215,000
Cleveland Regional Medical Center Shelby, North Carolina		05/10/2001	30,000,000	0 (oooo)
Chapel Hill Residential Retirement Center DBA Carol Woods Retirement Community Chapel Hill, North Carolina		07/02/2001	33,030,000	30,180,000

**SCHEDULE OF BOND ISSUES AND OUTSTANDING DEBT**

		<b>DATE OF ISSUE</b>	<b>AUTHORIZED PRINCIPAL AMOUNT</b>	<b>PRINCIPAL AMOUNT OUTSTANDING AS OF 06/30/06</b>
Moses Cone Health System Greensboro, North Carolina	Series A Series B	07/11/2001 07/11/2001	\$42,600,000 42,600,000	\$42,600,000 42,600,000
Aldersgate United Methodist Retirement Community, Inc. Charlotte, North Carolina		07/12/2001	40,835,000	37,595,000
Rutherford Hospital Rutherfordton, North Carolina		08/01/2001	16,800,000	12,240,000
Mission-St. Joseph's Health System Asheville, North Carolina		09/01/2001	109,720,000	107,545,000
Duke University Health System, Inc. Durham, North Carolina		09/21/2001	42,000,000	4,346,146
Presbyterian Home at Charlotte (Sharon Towers) Charlotte, North Carolina		09/25/2001	23,500,000	13,855,000
Baptist Retirement Homes of North Carolina, Inc. (Taylor Glen) Winston-Salem, North Carolina	Series A Series B Series C	10/11/2001 10/17/2001 10/17/2001	40,285,000 8,100,000 5,900,000	39,645,000 5,720,000 0
Alamance Extended Care, Inc. (Village at Brookwood) Burlington, North Carolina	Series A Series B Series C	11/01/2001 11/28/2001 11/28/2001	32,560,000 8,500,000 17,000,000	32,560,000 8,500,000 17,000,000
Aston Park Health Care Center, Inc. Asheville, North Carolina		02/14/2002	4,100,000	3,500,000
FirstHealth of the Carolinas Pinehurst, North Carolina		02/27/2002 02/27/2002	29,400,000 50,000,000	0 50,000,000
Arbor Acres United Methodist Retirement Community, Inc. Winston-Salem, North Carolina		03/01/2002	23,105,000	17,605,000
The Forest at Duke, Inc. Durham, North Carolina		03/15/2002	23,495,000	23,135,000
Senior Care Group of McDowell, LLC Nebo, North Carolina	Series A Series B	06/01/2002 06/01/2002	7,210,000 800,000	6,930,000 800,000

**SCHEDULE OF BOND ISSUES AND OUTSTANDING DEBT**

		<b>DATE OF ISSUE</b>	<b>AUTHORIZED PRINCIPAL AMOUNT</b>	<b>PRINCIPAL AMOUNT OUTSTANDING AS OF 06/30/06</b>
Union Regional Medical Center Monroe, North Carolina	Series A Series B	07/11/2002 07/11/2002	\$25,000,000 15,000,000	\$22,425,000 15,000,000
Southeastern Regional Medical Center Lumberton, North Carolina		08/14/2002	48,980,000	48,470,000
Wake Forest University Health Sciences Winston-Salem, North Carolina		08/22/2002	198,800,000	0 (rrrr)
NorthEast Medical Center Concord, North Carolina	Series A Series B	09/10/2002 09/10/2002	30,000,000 30,000,000	29,080,000 30,000,000
Southminster, Inc. Charlotte, North Carolina		10/01/2002	13,320,000	10,720,000
North Carolina Baptist Hospitals Winston-Salem, North Carolina		10/31/2002	162,400,000	0 (ssss)
WestCare Health System Sylva, North Carolina	Series A Series B	11/14/2002 11/14/2002	26,860,000 880,000	24,720,000 820,000
ACTS Retirement-Life Communities, Inc. West Point, Pennsylvania		12/18/2002	27,255,000	15,365,000
CaroMont Health Gastonia, North Carolina		01/23/2003	120,000,000	0 (tttt)
Cornelia Nixon Davis Nursing Home Wilmington, North Carolina		01/23/2003	7,000,000	6,680,000
FirstHealth of the Carolinas Pinehurst, North Carolina		04/10/2003	45,750,000.00	38,900,000.00
Hugh Chatham Memorial Hospital Elkin, North Carolina		04/23/2003	40,000,000	38,600,000



**SCHEDULE OF BOND ISSUES AND OUTSTANDING DEBT**

		<b>DATE OF ISSUE</b>	<b>AUTHORIZED PRINCIPAL AMOUNT</b>	<b>PRINCIPAL AMOUNT OUTSTANDING AS OF 06/30/06</b>
Memorial Mission Hospital, Inc. Asheville, North Carolina		05/29/2003	\$25,000,000	\$13,145,286
Novant Health Winston-Salem, North Carolina		07/01/2003	164,325,000	154,915,000
Givens Estates, Inc. Asheville, North Carolina	Series A	07/15/2003	63,385,000	63,385,000
	Series B	07/15/2003	7,000,000	7,000,000
	Series C	08/14/2003	39,000,000	0
Maria Parham Medical Center Henderon, North Carolina		08/01/2003	50,835,000	50,835,000
Betsy Johnson Regional Hospital Dunn, North Carolina		09/24/2003	24,770,000	24,770,000
Mission St. Joseph's Health System Asheville, North Carolina		10/01/2003	18,530,000	16,665,000
Friends Homes, Inc. Greensboro, North Carolina		10/16/2003	45,165,000	42,635,000
The Forest at Duke, Inc. Durham, North Carolina	Series A	11/01/2003	25,990,000	23,730,000
	Series B	11/01/2003	5,210,000	5,210,000
Northern Hospital District of Surry County Mount Airy, North Carolina		12/01/2003	2,422,050	1,524,959
Well Spring Retirement Community Greensboro, North Carolina	Series A	12/01/2003	15,450,000	13,985,000
	Series B	12/01/2003	2,000,000	2,000,000
	Series C	12/23/2003	10,000,000	9,100,000
Lutheran Retirement Ministries Elon, North Carolina		12/11/2003	13,030,000	12,450,000
The Episcopal Home for the Ageing In the Diocese of North Carolina (Penick Village) Southern Pines, North Carolina	Series A	02/01/2004	3,185,000	3,060,000
	Series B	02/01/2004	2,470,000	2,470,000
Deerfield Episcopal Retirement Community Asheville, North Carolina	Series A	03/01/2004	37,505,000	34,975,000
	Series B	03/01/2004	5,000,000	5,000,000
	Series C	03/01/2004	10,000,000	10,000,000

**SCHEDULE OF BOND ISSUES AND OUTSTANDING DEBT**

		DATE OF ISSUE	AUTHORIZED PRINCIPAL AMOUNT	PRINCIPAL AMOUNT OUTSTANDING AS OF 06/30/06
Cypress Glen Retirement Community Greenville, North Carolina	Series A	03/15/2004	\$15,410,000	\$14,240,000
	Series B	03/15/2004	5,000,000	5,000,000
Cleveland County Healthcare System Shelby, North Carolina	Series A	06/30/2004	38,600,000	38,600,000
Cleveland County Healthcare System Shelby, North Carolina		07/15/2004	29,475,000	29,475,000
Stanly Memorial Hospital Albemarle, North Carolina		07/22/2004	5,000,000	0
NorthEast Medical Center Concord, North Carolina		08/05/2004	30,000,000	29,470,000
Rowan Regional Medical Center Salisbury, North Carolina		08/18/2004	87,125,000	87,125,000
Cypress Glen Retirement Community Greenville, North Carolina	Series C	08/19/2004	12,960,000	12,960,000
	Series D	08/19/2004	2,500,000	2,500,000
Moses Cone Health System Greensboro, North Carolina	Series A	10/19/2004	47,500,000	47,500,000
	Series B	10/19/2004	47,500,000	47,500,000
The ARC of North Carolina Raleigh, North Carolina	Series A	10/21/2004	34,650,000	34,650,000
	Series B	10/21/2004	1,270,000	880,000
Carolina Meadows Chapel Hill, North Carolina		11/07/2004	20,110,000	20,110,000
Novant Health Winston-Salem, North Carolina		11/08/2004	135,000,000	135,000,000
Fletcher Hospital dba Park Ridge Hospital Fletcher, North Carolina		01/13/2005	14,000,000	13,400,000
United Methodist Retirement Homes Durham, North Carolina	Series A	02/16/2005	20,790,000	20,790,000
	Series B	02/16/2005	24,250,000	24,250,000

**SCHEDULE OF BOND ISSUES AND OUTSTANDING DEBT**

		<b>DATE OF ISSUE</b>	<b>AUTHORIZED PRINCIPAL AMOUNT</b>	<b>PRINCIPAL AMOUNT OUTSTANDING AS OF 06/30/06</b>
United Church Homes and Services Newton, North Carolina	Series A Series B	04/21/2005 04/21/2005	\$13,755,000 5,000,000	\$13,665,000 5,000,000
Presbyterian Homes Jamestown, North Carolina	Series A Series B	05/04/2005 05/04/2005	13,465,000 4,090,000	13,465,000 4,090,000
Duke University Health System Durham, North Carolina	Series A Series B Series C	05/19/2005 05/19/2005 05/19/2005	107,380,000 107,380,000 107,380,000	107,380,000 107,380,000 107,380,000
Blue Ridge Health System Morganton, North Carolina	Series A Series B	06/19/2005 06/19/2005	35,000,000 43,075,000	35,000,000 41,250,000
Watauga Medical Center Boone, North Carolina		06/14/2005	31,350,000	31,130,000
Morehead Memorial Hospital Eden, North Carolina		06/15/2005	47,675,000	47,675,000
Alamance Regional Medical Center Burlington, NC		08/01/2005	10,000,000	2,386,671
Duke University Health System Durham, North Carolina		08/12/2005	40,000,000	15,823,084
United Methodist Retirement Homes Durham, North Carolina	Series C	09/08/2005	47,835,000	47,835,000
Mission Hospitals Asheville, NC		09/13/2005	25,000,000	5,811,418
Southeastern Regional Medical Center Lumberton, North Carolina		09/15/2005	20,000,000	20,000,000
Lenoir Memorial Hospital Kinston, North Carolina		09/22/2005	22,000,000	21,265,000
Rex Hospital Raleigh, North Carolina		12/12/2005	30,000,000	27,221,411

**SCHEDULE OF BOND ISSUES AND OUTSTANDING DEBT**

		DATE OF ISSUE	AUTHORIZED PRINCIPAL AMOUNT	PRINCIPAL AMOUNT OUTSTANDING AS OF 06/30/06
Transylvania Community Hospital Brevard, North Carolina		12/15/2005	\$1,700,000	\$1,543,915
Person Memorial Hospital Roxboro, North Carolina		12/15/2005	18,000,000	17,980,000
Novant Health Winston-Salem, North Carolina		12/12/2005	50,000,000	10,428,854
Pennybyrn at Maryfield High Point, North Carolina		12/29/2005	94,315,000	94,315,000
University Health Systems of Eastern Carolina Greenville, North Carolina	Series A	02/16/2006	227,970,000	227,970,000
	Series B	02/16/2006	246,025,000	246,025,000
	Series C	02/16/2006		
	Series D	02/16/2006		
Wake Forest University Health Sciences Winston-Salem, North Carolina		04/06/2006	196,050,000	196,050,000
North Carolina Baptist Hospital Winston-Salem, North Carolina		05/03/2006	162,400,000	162,400,000
Cumberland County Hospital System, Inc. DBA Cape Fear Valley Health Fayetteville, North Carolina				
	Series A	05/04/2006	37,020,000	37,020,000
	Series B	05/04/2006	262,650,000	262,650,000
Caromont Health Gastonia, North Carolina		05/09/2006	119,800,000	119,800,000
NorthEast Medical Concord, North Carolina		06/27/2006	50,000,000	50,000,000
<b>Totals</b>			<b>\$11,088,412,802</b>	<b>\$5,914,115,294</b>

- (a) Defeased by 5/24/85 Presbyterian Hospital Bond Issue
- (b) Defeased by 7/1/85 Duke University Hospital Refunding Bond Issue
- (c) Defeased by 12/1/85 Memorial Mission Bond Issue
- (d) Defeased by 12/1/85 Moore Memorial Bond Issue
- (e) Defeased by 8/1/85 Mercy Hospital Bond Issue
- (f) Defeased by 7/1/83 Grace Hospital Bond Issue
- (g) Defeased by 7/1/85 Southeastern General Hospital Bond Issue
- (h) Defeased by 8/1/85 The Episcopal Home for the Aging in the Diocese of North Carolina Bond Issue
- (i) Defeased by 12/1/85 Presbyterian Hospital Bond Issue
- (j) Defeased by 2/1/87 Grace Hospital Bond Issue
- (k) Defeased by 2/1/87 High Point Regional Hospital Bond Issue
- (l) Defeased by 8/1/87 Carolina Medicorp Bond Issue
- (m) Defeased by 6/1/88 Scotland Memorial Hospital Bond Issue
- (n) Defeased by 11/1/88 St. Joseph's Hospital Bond Issue
- (o) Defeased by 11/1/88 Blumenthal Jewish Home Bond Issue
- (p) Defeased by 11/1/89 Stanly Memorial Hospital Bond Issue
- (q) Defeased by 10/1/90 Community General Hospital Bond Issue
- (r) Defeased by 10/1/90 Presbyterian Hospital Bond Issue
- (s) Defeased by 11/1/90 Forest at Duke Bond Issue
- (t) Defeased by 11/1/91 Annie Penn Memorial Hospital Bond Issue
- (u) Defeased by 2/15/92 Alamance Health Services Bond Issue
- (v) Defeased by 11/1/91 Southeastern General Hospital Bond Issue
- (w) Defeased by 1/1/92 North Carolina Baptist Hospitals Bond Issue
- (x) Defeased by 11/1/91 McDowell Hospital Bond Issue
- (y) Defeased by 1/1/93 Rex Hospital Bond Issue
- (z) Defeased by 5/1/93 Morehead Memorial Hospital Bond Issue
- (aa) Defeased by 1/29/93 The Moses H. Cone Memorial Hospital Bond Issue
- (bb) Defeased by 11/1/92 Mercy Hospital Bond Issue
- (cc) Defeased by 8/1/92 Carolina Medicorp, Inc. Bond Issue
- (dd) Defeased by 6/1/93 Presbyterian Health Services Corp. Bond Issue
- (ee) Defeased by 11/15/93 Wesley Long Community Hospital, Series 1993 Bond Issue
- (ff) Defeased by 10/1/93 Penick Memorial Home Series 1993A Bond Issue
- (gg) Defeased by 7/15/93 Memorial Mission Hospital Series 1993 Bond Issue
- (hh) Defeased by 12/1/93 Scotland Memorial Hospital Series 1993 Bond Issue
- (ii) Defeased in part by 1/1/94 The Pines at Davidson Series 1994 Bond Issue
- (jj) Defeased by 1/1/94 St. Joseph's Hospital Series 1994 Bond Issue
- (kk) Defeased in part by 3/1/94 The Forest at Duke Series 1994 Bond Issue
- (ll) Defeased by 3/15/94 C.J. Harris Community Hospital Series 1994 Bond Issue
- (mm) Defeased in part by 8/12/93 Duke University Hospital Series 1993A Bond Issue
- (nn) Defeased by 9/15/94 United Church Retirement Homes Series 1994 Bond Issue
- (oo) Defeased by 7/1/94 Southminster Series 1994 Bond Issue
- (pp) Defeased by 10/15/95 Gaston Memorial Hospital Series 1995 Bond Issue
- (qq) Defeased by 5/1/96 Stanly Memorial Hospital Series 1996 Bond Issue
- (rr) Defeased by 2/15/96 Glenaire Project Series 1996 Bond Issue

(ss)	Defeased by 4/9/97 Lexington Memorial Hospital Series 1997 Bond Issue
(tt)	Defeased by 8/15/96 Grace Hospital Series 1996 Bond Issue
(uu)	Defeased by 2/1/97 Wilson Memorial Hospital Series 1997 Bond Issue
(vv)	Defeased by 12/1/96 Friends Home West Series 1996 Bond Issue
(ww)	Defeased by 2/15/97 Well Spring Retirement Community Series 1997 Bond Issue
(xx)	Defeased by 11/1/97 High Point Regional Health System Series 1997 Bond Issue
(yy)	Defeased by 11/1/97 Transylvania Community Hospital Series 1997 Bond Issue
(zz)	Defeased by 11/21/97 Angel Medical Center Series 1997 Bond Issue
(aaa)	Defeased by 4/1/98 Novant Health System Series 1998A Bond Issue
(bbb)	Defeased by 3/15/98 Annie Penn Memorial Hospital Series 1998 Bond Issue
(ccc)	Defeased in part by 3/15/98 Rex Healthcare Series 1998 Bond Issue
(ddd)	Defeased by 9/1/98 Pitt County Memorial Hospital Series 1998A Bond Issue
(eee)	Defeased by 6/15/98 Catholic Health East 1998C and 1998D Bond Issues
(fff)	Defeased by 9/15/98 Wayne Memorial Hospital Series 1998 Bond Issue
(ggg)	Defeased by 9/3/98 Valdease General Hospital, Inc. Series 1998 Bond Issue
(hhh)	Defeased by 7/1/98 Alamance Regional Medical Center, Inc. Series 1998 Bond Issue
(iii)	Defeased by 9/1/98 Halifax Regional Medical Center Series 1998 Bond Issue
(jjj)	Defeased by 11/1/98 Mission-St. Joseph's Health System Series 1998 Bond Issues
(kkk)	Defeased by 7/1/98 United Church Retirement Homes Series 1998 Bond Issue
(lll)	Defeased by 12/16/99 The McDowell Hospital, Inc., Series 1999 Bond Issue
(mmm)	Defeased in part by 6/15/2000 North Carolina Baptist Hospitals Project Series 2000 Bond Issue
(nnn)	Defeased by July 2, 2001 Carol Woods Project Bond Issue
(ooo)	Defeased by August 1, 2001 The Presbyterian Home at Charlotte, Inc. Issue
(ppp)	Defeased by 2003 FirstHealth of the Carolinas Bond Issue
(qqq)	Defeased by 2002 WestCare Bond Issue
(rrr)	Defeased by 2002 Southminster, Inc. Bond Issue
(sss)	Defeased by 2002 ACTS Bond Issue
(ttt)	Defeased by 2002 NorthEast Medical Bond Issue
(uuu)	Defeased in part by 2003 Gaston Healthcare Bond Issue
(vvv)	Defeased by July 1, 2003 Novant Health Bond Issue
(www)	Defeased by October 1, 2003 Mission-St. Joseph's Health System Bond Issue
(xxx)	Defeased by February 1, 2004 Penick Village Bond Issue
(yyy)	Defeased in part by November 1, 2003 The Forest at Duke Bond Issue
(zzz)	Defeased by October 16, 2003 Friends Home Bond Issue
(aaaa)	Defeased March 15, 2004 Cypress Glen Bond Issue
(bbbb)	Defeased in part by December 1, 2003 Well Spring Bond Issue
(cccc)	Defeased in part by March 1, 2004 Deerfield Episcopal Retirement Community Bond Issue
(dddd)	Defeased by July 15, 2003 Givens Estates Bond Issue
(eeee)	Defeased by reissuance of debt January 13, 2005 Fletcher Hospital, Inc., DBA Park Ridge Hospital
(ffff)	Defeased in part by October 2002 NC Baptist Bond Issue
(gggg)	Defeased by June 15, 2005 Morehead Memorial Hospital Bond Issue
(hhhh)	Defeased by October 19, 2004 Moses Cone Bond Issue
(iiii)	Defeased in part by May 4, 2005 Presbyterian Home Bond Issue
(jjjj)	Defeased in part by May 19, 2005 Duke University Health System Bond Issue

(kkkk)	Defeased by November 7, 2004 Carolina Meadows Bond Issue
(llll)	Defeased in part by April 21, 2005 United Church Bond Issue
(mmmm)	Defeased by June 9, 2005 Blue Ridge Health System Bond Issue
(nnnn)	Defeased by February 16, 2005 United Methodist Retirement Homes Bond Issue
(oooo)	Defeased by July 15, 2004 Cleveland County Healthcare System Bond Issue
(pppp)	Defeased in part by February 16, 2006 University Health Systems of Eastern Carolina Bond Issue
(qqqq)	Defeased by September 8, 2005 United Methodist Retirement Homes Bond Issue
(rrrr)	Reissued for tax purposes by May 3, 2006 Wake Forest University Health Sciences Bond Issue
(ssss)	Reissued for tax purposes by May 3, 2006 NC Baptist Hospital Bond Issue
(tttt)	Reissued for tax purposes by May 9, 2006 CaroMont Bond Issue

(PAGE INTENTIONALLY LEFT BLANK)



## **REVENUE BOND AND NOTE ISSUES**

*July 1, 2005-June 30, 2006*

### **The United Methodist Retirement Homes - \$47,835,000**

On September 8, 2005 the Commission issued its \$47,835,000 North Carolina Commission Retirement Facilities First Mortgage Revenue Refunding Bonds (The United Methodist Retirement Homes Project) Series 2005C dated as of September 8, 2005 (the Date of Delivery of the Bonds). The proceeds of the Series 2005C Bonds, together with funds released from the Series 2000 Bonds will be used to refund (1) \$41,715,000 Series 2000 Bonds currently outstanding (2) pay cost of issuance for the Series 2005 bonds and (3) fund a debt service reserve fund. The refunding will generate a net present value savings of \$2,900,951 which equates to a 6.95% percentage savings on refunded bonds.

The United Methodist Retirement Homes, Inc. is a private North Carolina nonprofit corporation whose primary business consists of owning and operating Croasdaile Village and Wesley Pines. United Methodist Retirement Homes also manages two retirement communities, Quail Haven Village in Pinehurst and Cypress Glen Retirement Community in Greenville.

The United Methodist Retirement Homes Foundation, Inc. is a private nonprofit corporation which was organized for the benefit of the retirement communities operated by United Methodist Retirement Homes and its affiliates. Its purposes include raising endowment funds, supporting benevolent care for qualifying residents and supporting special programs.

United Methodist Retirement Homes and the Foundation constitute the Obligated Group and are jointly and severally obligated for repayment of the Bonds.

The \$8,690,000 Serial Bonds mature in the years 2006-2015 and carry stated interest rates ranging from 3.625% to 4.875%, with yields ranging from 3.625% to 4.97%. The \$6,390,000 5.125% Term Bonds due October 1, 2019 yield 5.125%. The \$10,040,000 5.250% Term Bonds due October 1, 2024 yield 5.313%. The \$22,715,000 Term Bonds due October 1, 2032 yield 5.500%.

The Commission has previously issued bonds for United Methodist Retirement Homes in 2000 and 2005.

Robinson Bradshaw & Hinson, PA served as bond counsel. Hunton & Williams, LLP served as counsel to the underwriters. BB&T Capital Markets served as senior manager for the issue, with Ferris Baker Watts, Incorporated as co-manager. First Citizens Bank & Trust Company serves as bond trustee.

### **Southeastern Regional Medical Center - \$20,000,000**

On September 15, 2005 the Commission issued its \$20,000,000 North Carolina Medical Care Commission Variable Rate Demand Hospital Revenue Bonds (Southeastern Regional Medical Center) Series 2005.

The Series 2005 Bonds are the obligation of the Obligated Group which consists of Southeastern Regional Medical Center (SRMC), Health Horizons, Southeastern Regional Medical Center Foundation and Executive Credit Collections. SRMC owns and operates a 429 licensed bed hospital, which includes 255 general acute care beds, 33 psychiatry beds, 26 chemical dependency care beds and a 115-bed skilled nursing and Alzheimer's care center. SRMC also operates a home health care agency, a medical and radiation oncology center, five rural health clinics, a durable medical equipment center and a recreational and exercise facility.

The project to be funded by the proceeds of the Series 2005 Bonds consists of (a) the construction and equipping of (i) a seventh floor on the new patient bed tower, including 34 patient rooms with private bathrooms, (ii) a heart center on the third floor of an existing diagnostic and treatment building, including two cardiac operating rooms, a six bed cardiovascular intensive care unit, a 17 bed cardiovascular intermediate care unit and post- and pre-operative patient holding units, and (iii) additional space for two endoscopy suites on the second floor of the Diagnostic and Treatment Building and (b) the acquisition of a fixed magnetic resonance imaging scanner and construction related to the installation thereof on the first floor of the Diagnostic and Treatment Building.

The Bonds are rated Aa2/VMIG 1 by Moody's based on the issuance of the irrevocable direct-pay Letter of Credit by Branch Banking and Trust Company. The Bonds will initially bear interest in the Weekly Mode. Kaufman Hall and Associates served as financial advisor to SRMC for the transaction. Branch Banking and Trust Capital Markets served as underwriter for the Issue and serves as remarketing agent for the Bonds. McGuire Woods, LLP served as bond counsel. Helms Mulliss and Wicker, PLLC served as counsel for the underwriters. Wachovia Bank, National Association serves as trustee for the issue. The Bonds are subject to mandatory sinking fund redemption in the years 2013 through 2037.

### **Lenoir Memorial Hospital - \$22,000,000**

On September 22, 2005 the Commission issued its \$22,000,000 North Carolina Medical Care Commission Health Care Facilities Revenue Bonds (Lenoir Memorial Hospital Project) Series 2005, dated as of the date of issuance, September 22, 2005. The proceeds of the bonds are being lent to Lenoir Memorial Hospital, Incorporated to provide funds, together with any other available funds to (a) finance the acquisition, construction, renovation and equipping of certain health care facilities (b) pay certain existing indebtedness issued on behalf of Lenoir Memorial and (c) pay certain expenses incurred in connection with the issuance of the Bonds.

The Borrower (Lenoir Memorial Hospital) is a nonprofit corporation organized under the laws of the State of North Carolina and has been determined to be an organization exempt from federal income taxation by virtue of being an organization described in Section 501(c)(3) of the Internal Revenue Code of 1986, as amended. The Borrower was established in 1950 to operate Lenoir Memorial Hospital, a 261-licensed bed facility located in Kinston, North Carolina. The Borrower's mission is to ensure exceptional healthcare for the people it serves, which primarily include the residents of the counties of Lenoir, Greene, Jones and surrounding counties in eastern North Carolina. The Borrower is governed by a 17-member Board of Directors, a majority of

which are appointed by the board of commissioners of Lenoir County, one such Board member also being of the board of commissioners of the County.

The Borrower provides general medical, surgical, pediatric and obstetrical-gynecological services and specialized services in cardiology, pulmonology, oncology, vascular and thoracic surgery, otolaryngology, and emergency medicine, among others. The Hospital's inpatient beds are comprised of 218 acute care beds, a 26-bed transitional care unit and a 17-bed inpatient rehabilitation center. In addition to the outpatient services housed in the Hospital's main facility, a freestanding cancer treatment center and a durable medical equipment company also provide services to the Borrower's ambulatory patients. The Hospital has a medical staff of over 100 physicians and is accredited by the Joint Commission of Accreditation of Healthcare Organizations.

The Hospital traces its origins to Memorial General Hospital, founded in 1924 by a group of community physicians, which opened in 1925 with 25 beds. In 1950, the hospital properties were purchased by the County, and the Borrower was formed contemporaneously. In 1967, the County issued \$7,100,000 general obligation bonds to finance construction of the present Hospital. In addition to the proceeds of this bond issue, the construction of the present Hospital was financed with a Hill-Burton grant, a grant from the Duke Endowment, other private donations and internally generated funds. The present Hospital opened on July 7, 1973. The Hospital is currently owned by the County and leased to the Borrower for operation.

On January 14, 2004, the County and the Borrower entered into an agreement for the Borrower to acquire all of the land and property constituting the Hospital from the County. The purpose of this acquisition by the Borrower is to accomplish a conversion of the Hospital, as permitted under Section 131E-8 of the North Carolina General Statutes, from a public to a private, nonprofit hospital. Such conversion is desired by the Borrower in order to provide greater operating flexibility afforded private, nonprofit hospitals under North Carolina law.

As a condition of the conveyance of the Hospital to the Borrower, the Transfer Agreement and applicable law require that the Borrower provide sufficient funds for the payment of any outstanding bonds issued by the County for the benefit of the Hospital. The County currently has outstanding Lenoir Memorial Hospital Revenue Bonds, Series 1995 in the amount of \$5,900,000 and Lenoir Memorial Hospital Revenue Bonds, Series 1998 in the amount of \$6,200,000 (collectively, the "Prior Bonds"). On the Date of Delivery of the Bonds, a portion of the proceeds of the Bonds will be used to redeem in whole the Prior Bonds at a redemption price to 100% of the principal of such Prior Bonds outstanding plus accrued interest to such date.

In addition to redeeming the Prior Bonds in connection with the acquisition of the Hospital as described above, a portion of the proceeds of the Bonds will be used to fund various capital projects of the Borrower which are designed to enhance patient care, safety, and community access to health services. These capital projects included the renovation and expansion of the Hospital's Wellness Center, Pharmacy, and Central Services Department, in addition to the acquisition of new information systems and various medical equipment.

The Bonds are rated Aa2/VMIG 1 by Moody's based on the issuance of an irrevocable direct pay letter of credit by Wachovia Bank, National Association which secures the payment of the principal and purchase price of and interest on the Bonds. The Bonds are subject to mandatory sinking fund redemption on each April 1 from the years 2006-2036. The Bonds initially bear interest at the weekly rate, but may be converted to the flexible term rate, the medium term rate or the fixed rate in accordance with the terms of the trust agreement.

Wachovia Securities served as underwriter for this issue. Wachovia Bank, National Association serves as Remarketing Agent for the Bonds. Branch Banking and Trust Company serves as trustee. Robinson Bradshaw and Hinson, PA served as bond Counsel. Womble Carlyle Sandridge and Rice, PLLC served as counsel to the underwriters.

### **Person Memorial Hospital - \$18,000,000**

On December 15, 2005, the North Carolina Medical Care Commission issued its \$18,000,000 North Carolina Medical Care Commission Health Care Facilities Revenue Bonds (Person Memorial Hospital) Series 2005 dated the Date of delivery 12/15/2005.

A portion of the proceeds of the Bonds will be used to fund various renovation, relocation, expansion and construction projects of the Hospital. The improvements will include, but are not limited to, the following: (1) relocation of specialty clinics; (b) expansion of the emergency department; (c) expansion of the intensive care unit; (d) expansion of the surgical services unit; (3) expansion of the laboratory; (f) relocation of respiratory services; (g) relocation of the outpatient services and waiting areas; (h) relocation of engineering operations; (i) parking facilities; (j) construction of an energy plant including new generators, HVAC systems, new chillers and other energy equipment, and (k) ongoing routine capital expenditures for the Hospital Facility.

The Hospital will use approximately \$4,894,191 of the proceeds of the Bonds to refinance four loans from the Farmers Home Administration with a total remaining principal balance of approximately \$4,894,191, the proceeds of which were used to finance improvements to the Hospital Facility.

Person Memorial Hospital is a North Carolina nonprofit corporation that owns and operates an acute care hospital and skilled nursing facility. The Hospital was organized on October 9, 1945 under the laws of the State of North Carolina and has been determined to be an organization exempt from federal income taxation by virtue of being an organization described in Section 501(c)(3) of the Internal Revenue Code of 1986, as amended. The Hospital Facility was dedicated in September 1950 to serve as a living memorial to individuals who served and who lost their lives fighting our nation's wars.

The Hospital Facility is a 110-bed facility located in Roxboro, North Carolina. The Hospital's mission is to provide exceptional healthcare for the people it serves, which primarily include the citizens of Person and surrounding counties. The Hospital has a management contract with Duke University Health System to provide a CEO and CFO selected by a local, independent Board of

Trustees. The Board of Trustees is made up of 14 local citizens who are responsible for the direction and governance of the Hospital Facility.

The Hospital Facility provides outpatient services, same day surgical services, specialty clinics, 24-hour emergency services, rehabilitation services, psychiatric counseling, respiratory care, radiology and other laboratories. Specialized clinic services include: cardiology, endocrinology, hematology, infectious disease, neurology, nephrology, oncology, pulmonary and rheumatology. The Hospital Facility is equipped with 60 extended care beds. The Hospital Facility also has 50 acute care beds, including six intensive care beds and four labor and delivery beds.

The Hospital is fully accredited by the Joint Commission on the Accreditation of Healthcare Organizations. The Hospital has a staff of over 350 trained clinicians and approximately 50 physicians. As of September 30, 2005, the Hospital employed a work force of 296, or 309 full-time equivalents. During the fiscal year ended September 30, 2005, 2,504 patients were discharged from the Hospital Facility, 3,715 surgeries were performed at the Hospital Facility, and there were 17,598 emergency room visits, 136 births (service suspended July 1, 2005) and 32,220 outpatient visits at the Hospital Facility.

The Bonds are rated Aa2/VMIG 1 by Moody's Investors Services, Inc. based upon issuance of the irrevocable letter of credit securing payment of the principal of and interest on the Bonds by Branch Banking and Trust Company. The Bonds initially bear interest at the Weekly Rate (7 day period). The Bonds mature in the years 2006 through 2035 according to a mandatory sinking fund schedule set forth in the Official Statement.

Hunton & Williams, LLP served as bond counsel. Kilpatrick Stockton, LLP served as counsel for the underwriter. BB&T Capital Markets served as underwriter for the issue and serves as remarketing agent for the Bonds. First Citizens Bank & Trust Company serves as bond trustee.

### **Pennybyrn at Maryfield - \$94,315,000**

On December 29, 2005, the North Carolina Medical Care Commission issued its \$70,315,000 North Carolina Medical Care Commission Health Care Facilities First Mortgage Revenue bonds (Pennybyrn at Maryfield Project) consisting of \$67,315,000 Series 2005A Fixed Rate Bonds and \$3,000,000 Series 2005B Extendable Rate Adjustable Securities dated the Date of Delivery 12/29/05. The Commission also issued on December 29, 2005 its \$24,000,000 North Carolina Medical Care Commission Variable Rate Demand Health Care Facilities First Mortgage Revenue Bonds (Pennybyrn at Maryfield Project) Series 2005C.

The proceeds of the sale of the Series 2005 Bonds will, together with other available funds, be used to (i) pay a portion of the cost of acquisition, construction and equipping of the Project, (ii) pay the interest accruing on the Series 2005 Bonds and the fees for the Credit Facility and remarketing relating to the Series 2005C Bonds for a period of 30 months, (iii) fund a debt service reserve fund for each series of the Series 2005 Bonds, and (iv) pay certain expenses incurred in connection with the issuance of the Series 2005 Bonds and the Credit Facility.

Certain costs of the Project in an aggregate amount of approximately \$5,183,804 have been paid or will have been paid by the Corporation from its available cash prior to the date of delivery of the Series 2005 Bonds. The payment of such amount constitutes the Corporation's equity contribution to the sources of funds used to finance the Project. In addition, the Corporation is conducting a capital campaign in connection with which funds will be used by the Corporation to redeem a portion of the Series 2005 Bonds.

The Corporation expects that all of the Series 2005C Bonds will be redeemed, from Entrance fees and funds collected in an ongoing capital campaign, on or before December 1, 2008, although no assurances can be given that all Series 2005C Bonds will be redeemed by that date. The Corporation also expects to use available Entrance Fees and funds collected in the capital campaign following redemption of the Series 2005C Bonds to redeem Series 2005B Bonds on or before December 1, 2008.

Proceeds of the Series 2005 Bonds, together with other available funds and earnings on such proceeds, will be used to finance the Project, consisting of (a) construction of 151 new independent living units, including 131 new apartment units and 20 new cottages to add to the existing 29 independent living cottages; (b) construction of a 55,000 square-foot commons building to house a wellness center, indoor pool, exercise room, dining venue, business center, preventative care center, multipurpose room, woodworking shop and support spaces; (c) renovation and expansion of the Corporation's existing 73,000 square-foot nursing facility into six "households" of 18 to 22 residents each to accommodate 115 existing and 10 new skilled nursing beds and a town square; (d) construction of a 54,500 square-foot assisted living facility adjacent to the Health Center to house 24 assisted living units and 24 assisted living memory support beds; and (e) various equipment purchases and landscape and parking improvements.

Maryfield, Incorporated, DBA Pennybyrn at Maryfield, was founded in November 1947 by the Congregation of the Poor Servants of the Mother of God ("SMG" or the "Congregation"), an order of the Roman Catholic Church originally founded in 1869 in England, dedicated to healing the sick and wounded people of England and Ireland. In 1947, the Congregation was operating hospitals and nursing institutions in many cities and towns in the British Isles, as well as in Ireland, Rome, Florence and Paris, when the decision was made to extend its mission to the United States. While the first patients were admitted to the Corporation's facility in late 1947, the Corporation was actually organized under the laws and regulations of the State of North Carolina as a nonprofit organization in 1950 to provide housing and long-term care for the elderly.

The Corporation has been determined to be exempt from Federal income taxation under Section 501(c)(3) of the Internal Revenue Code of 1986, as amended, and is also exempt from taxation under North Carolina law.

The Corporation currently owns and operates a continuing care retirement community on a 68-acre campus in High Point, North Carolina known as "Pennybyrn at Maryfield" and consisting of: (i) Maryfield Nursing Home, a 73,000 square-foot facility housing 115 skilled nursing beds and 10 home for the aged beds (the "Health Center"), and (ii) Maryfield Independent Living,

consisting of 29 single-family units (the “Cottages” and, together with the Health Center, the “Existing Facility”).

Adjacent to the campus of the Existing Facility is a convent housing the local Members of the Congregation. Constructed as an Italianate mansion in 1927 by State Senator George Penny of High Point, the Convent was first leased by SMG in 1947 in connection with its original plans to construct a hospital in the High Point area. SMG acquired the mansion from Senator Penny in 1950. From 1947 to 1965, the Congregation used the mansion as a convalescent home for seniors. Upon construction of the Maryfield Nursing Home in 1965, the mansion was renovated and refurbished for its current use as the Convent. The Convent and the approximately three acres of real property on which it is located are not included as part of the Existing Facility or the Mortgaged Property.

As early as 1999, the Corporation began a strategic planning program to expand the Existing Facility in order to provide a more complete continuum of care, with a view toward preserving and protecting the Maryfield mission and enhancing the economic and financial viability of the Corporation. The Corporation initially undertook comprehensive development planning with a team of senior living industry experts and embarked on an expansion program through a self-directed marketing and development effort. The Corporation later concluded that a fully integrated development model was a more desirable approach, and in December 2003 retained CRSA Holdings, Inc., through its subsidiary, CRSA Management, LLC, to direct and oversee the Corporation’s development plans. Those development plans include (i) the construction of 151 new independent living units, (ii) the construction of a community center to house a full service wellness center, a dining venue, a business center, a preventative care center, an indoor pool, an exercise room and certain other amenities; (iii) the reconfiguration and renovation of the health Center; and (iv) the construction of an assisted living building adjacent to the Health Center to house 24 assisted living units and 24 assisted living memory support beds.

Upon completion, the Project, together with the Existing Facility, will make up a community of 180 Residences, 125 skilled nursing beds, and 48 assisted living beds.

The costs of developing, acquiring and constructing the Project are anticipated to total approximately \$107.1 million, including all construction, architectural and engineering fees, fixtures, furnishings & equipment, marketing and related development costs, interest on the Series 2005 Bonds during construction of the Project and funding of three separate debt service reserve funds.

Construction of the Project is expected to begin immediately after the issuance of the Series 2005 Bonds, scheduled to be completed by September 2007 and be substantially occupied by May 2009.

The Series 2005A and Series 2005B Bonds are not rated. The Series 2005C Bonds are rated AA-/F1+ by Fitch, Inc. based on the issuance by Bank of America, N.A. of its irrevocable, direct-pay letter of credit securing the payment of the principal and purchase price of and interest on the Series 2005C Bonds. The \$7,590,000 Series 2005A Serial Bonds mature October 1 in the year 2010 through 2015 and carry stated interest rates ranging from 4.700% to 5.150% with



yields ranging from 4.700 to 5.250%. The \$5,350,000 5.750% Series 2005A Term Bonds due October 1, 2023 priced at 100.000% yield 5.750%. The \$9,405,000 6.000% Series 2005A Term Bonds due October 1, 2023 priced at 101.836% to yield 5.750%. The \$4,870,000 5.650% Series 2005A Term Bonds due October 1, 2025 priced at 97.665% to yield 5.850%. The \$2,500,000 5.875% Series 2005A term Bonds due October 1, 2035 priced at 98.948% to yield 5.950%. The \$37,600,000 6.125% Series 2005A Term Bonds due October 1, 2035 proceed at 101.269% to yield 5.950%.

The \$3,000,000 Series 2005B Bond Extendable Rate Adjustable Securities due October 1, 2035 were priced at 100% to yield 4.75%. The Series 2005C (priced at par) Bonds bear interest at the Weekly Rate. The interest rate on the \$24,000,000 Series 2005C Bonds may be converted to any Adjustable Rate or a Fixed Rate upon satisfaction certain conditions.

Womble Carlyle Sandridge & Rice PLLC served as bond counsel. McGuire Woods LLP served as counsel to the underwriters. Zeigler Capital Markets Group served as senior manager for the Series 2005A & B bonds with A.G. Edwards Davenport & Company LLC and Ferris Baker Watts Incorporated as co-managers.

Zeigler Capital Markets Group served as underwriter for the Series 2005C Bonds and serves as remarketing agent for the Bonds. The Bank of New York Trust Company, NA serves as bond trustee and as master trustee. Dixon Hughes PLLC served as feasibility consultant for the project.

### **University Health Systems of Eastern Carolina - \$227,970,000 and \$246,025,000**

On February 16, 2006 the Commission issued its \$227,970,000 North Carolina Medical Care Commission Health Care Facilities Revenue Refunding Bonds (University Health Systems of Eastern Carolina), Series 2006 consisting of \$114,050,000 Series 2006A and \$113,920,000 Series B, dated as the date of issuance February 16, 2006. On the same date, the Commission issued, (1) \$246,025,000 in bonds consisting of \$122,750,000 North Carolina Medical Care Commission Health Care Facilities Revenue Bonds (University Health Systems of Eastern Carolina), Series 2006C, composed of \$61,525,000 Series C-1 and \$61,225,000, Series C-2 and (2) \$123,275,000 North Carolina Medical Care Commission Health Care Facilities Revenue Bonds (University Health Systems of Eastern Carolina), Series 2006D consisting of \$61,525,000 Series D-1 and \$61,750,000 Series D-2, dated the date of issuance February 16, 2006. The proceeds of the Bonds will be used to (1) refinance a portion of certain outstanding indebtedness of the Parent Corporation (University Health Systems of Eastern Carolina, Inc.), (2) finance a portion of the cost of certain health care facilities, (3) pay the interest accruing on the Bonds during construction of the project, (4) pay the premium for the financial guaranty insurance policy and (5) pay all or a portion of the expenses incurred in connection with the issuance and delivery of the Bonds.

University Health Systems of Eastern Carolina, Inc., (“UHS” or the “Parent Corporation”) is a North Carolina nonprofit corporation with headquarters in Greenville, North Carolina. UHS was organized in 1998 by Pitt County Memorial Hospital, Incorporated, a North Carolina nonprofit corporation that operates Pitt County Memorial Hospital (“PCMH”), to serve as the parent of the



Corporation and other direct and indirect affiliates that operate other acute care hospitals and health services in eastern North Carolina. The Parent Corporation, the Corporation and PCMH are affiliated with the Brody School of Medicine at East Carolina University, which is adjacent to PCMH in Greenville, North Carolina. PCMH is the primary teaching hospital for the School of Medicine, and together they comprise one of five academic medical centers in North Carolina.

UHS and its affiliates operate an integrated health care delivery system (the “Health System”) that serves a total market of approximately 1.3 million people in 29 contiguous counties in eastern North Carolina. The Health System includes hospitals, physician practices, outpatient services, long-term care, home health, hospice and wellness services.

The Health System’s hospitals are PCMH, which is a tertiary care hospital and a academic medical center, and five other acute care hospitals: Roanoke-Chowan Hospital, Heritage Hospital, Chowan Hospital, Bertie Memorial Hospital and The Outer Banks Hospital. UHS manages another acute care hospital, Duplin General Hospital. UHS has affiliation agreements with several other hospitals, including Carteret General Hospital, Onslow Memorial Hospital, Halifax Medical Center, Beaufort County Hospital and Pungo District Hospital.

The Master Indenture, which governs the issuance of obligations for debt, authorized the creation of a Combined Group, which consists of the Obligated Group and Restricted Affiliates designed as such by a Member of the Obligated Group with the consent of UHS. UHS and the Corporation are currently the only Members of the Obligated Group. The Members of the Obligated Group are jointly and severally liable for the payment of all Master Obligations issued under the Master Indenture.

As of the date of issuance of the 2006 Bonds, the Members of the Obligated Group have designated seven affiliates as Restricted Affiliates. Four of these Restricted Affiliates, East Carolina Health (which operates Roanoke-Chowan Hospital), East Carolina Health-Bertie DBA Chowan Hospital and East Carolina Health Heritage, Inc. DBA Heritage Hospital, operate hospitals. The other three Restricted Affiliates, SurgiCenter Services of Pitt, Inc., PCMH Management, Inc. and HealthAccess, Inc. either provide health care services or support entities that provide health care services. Restricted Affiliates are not directly obligated to pay Master Obligations, but the Members of the Obligated Group have covenanted in the Master Indenture to cause the Restricted Affiliated to provide funds to the Members of the Obligated Group to pay Master Obligations. All Members of the Combined Group are exempt from Federal and North Carolina income taxation.

Certain affiliates of UHS are not Members of the Combined Group. These affiliates include: (1) The Outer Banks Hospital, Inc., a controlled affiliate of East Carolina Health, which operates an acute care hospital known as “Outer Banks Hospital”; (2) The Outer Banks Hospital Medical Office Building, LLC, a wholly-owned subsidiary of The Outer Banks Hospital, Inc. (3) HealthEast Outer Banks Medical Center, LLC, which operates a primary care practice in Nags Head, Dare County, North Carolina, and (4) EastPointe Health, LLC, which operates a joint venture magnetic resonance imaging service in Washington, Beaufort County, North Carolina. East Carolina Health and Chesapeake Hospital Authority, in Chesapeake, Virginia, are members of The Outer Banks Hospital, Inc., with East Carolina Health holding a 60% controlling interest.

The Corporation and Beaufort County Hospital Association, Inc. each hold a 50% interest in EastPointe Health, LLC.

The Health System includes an academic medical center, five other acute care hospitals, two distinct-part psychiatric units, a distinct-part rehabilitation unit, two skilled nursing units, a freestanding ambulatory surgery center, two home health agencies, a hospice, an outpatient hemodialysis facility, two rural health clinics, five physician practices and other support services. These health care services, with the exception of the Outer Banks Hospital, a community hospital, are operated by Members of the Combined Group.

The Health System's six acute care hospitals are licensed to operate 1,120 beds. The five hospitals operated by Members of the Combined Group account for 1,101 beds, or 98% of the Health System's total licensed bed complement. Each hospital is licensed by the Division of Facility Services of the North Carolina Department of Health and Human Services and is approved as a provider by the Medicare and Medicaid programs.

PCMH, owned and operated by the Corporation, is a 755-bed, tertiary care hospital located in Greenville, North Carolina that offers a full range of medical, surgical, rehabilitative and behavioral health services. PCMH is one of five academic medical centers in North Carolina and serves as the teaching hospital for the School of Medicine. PCMH is also the regional referral hospital and tertiary care center for the 29-county area of eastern North Carolina. In 2002, PCMH was recognized by Solucient as one of the country's Top 100 Hospitals. VHA, Inc., a national organization of not-for profit hospitals, awarded PCMH the 2004 VHA Community Health Leadership Award in recognition of PCMH's efforts to improve the health of citizens in Pitt County, including older adults, children, and the uninsured and under insured. That same year, PCMH became one of 110 hospitals in the country to receive the prestigious Magnet designation from the American Nurses Credentialing Center for excellence in nursing services.

Heritage Hospital, operated by East Carolina Health-Heritage, Inc., is a 127-bed facility located in Tarboro, North Carolina that serves Edgecombe and surrounding counties. Services at Heritage Hospital include acute care, inpatient and same-day surgery, emergency, critical care, obstetrics/gynecology, rehabilitation and oncology services. Heritage Hospital also operates a rural health center, which provides general, pediatric, women's and occupational health services.

Bertie Memorial Hospital, operated by East Carolina Health-Bertie, is a six-bed critical access hospital located in Windsor, North Carolina, that provides short-stay acute, surgical services, emergency services, diagnostics, specialty clinics and primary care clinics.

Chowan Hospital, operated by East Carolina Health-Chowan, Inc. is a 89-bed critical access hospital located in Edenton, North Carolina, that provides acute care services, physician practices, long-term care, home care, radiology, obstetrics/gynecology, wellness programs and a number of outpatient clinics.

Roanoke-Chowan Hospital, operated by East Carolina Health, is a 124-bed hospital located in Ahoskie, North Carolina, that provides services to Hertford, Gates, Bertie and Northhampton

counties. Services at Roanoke-Chowan Hospital include acute care, obstetrics/gynecology, emergency, sub-acute care, specialty clinics and behavioral health.

The Outer Banks Hospital is a 19-bed acute care facility located on the Outer Banks in Nags Head, North Carolina, and is a joint venture between East Carolina Health and the Virginia-based Chesapeake Hospital Authority. The hospital is the only acute care facility in the vacation resort area and provides acute care, obstetrics/gynecology, general surgery and emergency care services. The Outer Banks Hospital is not a part of the Combined Group; however, its financial position and results of operation are included in the combined financial statements of UHS and its affiliates.

### Managed Facilities

Duplin General Hospital managed by Pitt County Memorial Hospital is a 101-bed hospital located in Kernersville, North Carolina, is managed by East Carolina Health pursuant to a three-year management agreement entered into in February 2005.

SurgiCenter Services of Pitt, Inc. operates a 32,500 square-foot freestanding ambulatory surgery center located in Greenville, North Carolina, and is a non-profit affiliate of the Corporation. More than 170 physicians perform a wide array of elective outpatient surgical procedure in twelve specialties. The ambulatory surgical center has eight operating rooms, 20 post anesthesia beds, and six recovery center beds.

PCMH serves as the primary teaching facility for the School of Medicine. The Corporation, in affiliation with the School of Medicine, operates 28 residency-training programs with over 328 medical residents. Its relationship with the School of Medicine and the respective responsibilities of the Corporation and the School of Medicine are set forth in an affiliation agreement, which was originally entered into on December 17, 1975 and renewed in 1994 for an additional 20-year period. The current agreement permits its renewal for another 20-year term. In addition to eliminating the need for the construction and operating of a separate, state-owned teaching hospital, this relationship permits the Corporation and the School of Medicine to combine their resources for the provision of quality patient care, medical education and research for the residents of eastern North Carolina.

The proceeds of the Bonds to fund the Project will be used to: (1) pay the cost of acquiring, constructing and equipping the Project, (2) refinance a \$50,000,000 revolving bridge loan from Wachovia Bank, National Association, the proceeds of which were used to pay certain costs of the Project, (3) pay a portion of the interest accruing on the Bonds during construction of the Project, (4) pay the premium for the Insurance Policy and (5) pay all or a portion of the expenses incurred in connection with the issuance and delivery of the Bonds and the Series 2006D Bonds.

The Project consists of

- A new 120-bed, 375,000 square foot cardiovascular inpatient, outpatient and support services tower to be located adjacent to the existing Pitt County Memorial Hospital,

- A new 75,000 square foot central utility plant to serve the Cardiovascular Tower and future expansions on the east side of the Pitt County Memorial Hospital campus, and
- the construction of various improvements and the acquisition of certain land and various hospital equipment and furnishings for Pitt County Memorial Hospital and other health care facilities of the Combined Group.

The estimated cost of the Cardiovascular Tower and related equipment is \$150,000,000. The estimated cost of the Utility Plant and related equipment is \$31,000,000.

The proceeds of the Series 2006A bonds and the Series 2006B will be used to: (a) refund \$147,395,000 in aggregate principal amount of the Series 1998A Bonds, consisting of portions of each of the Series 1998A Bonds stated to mature December 1, 2010, 2011, 2012, 2013, 2018 and 2028, (b) refund \$66,530,000 in aggregate principal amount of the Series 1998B Bonds, consisting of all of the Series 1998B Bonds stated to mature on December 1, 2012, 2013, 2018 and 2028, (c) pay the premium for an insurance policy and (d) pay all or a portion of the expenses incurred in connection with the issuance and delivery of the Series 2006A Bonds and the Series 2006B Bonds.

To accomplish the refunding of the 1998 Bonds, the proceeds of the Series 2006A Bonds and the Series 2006B Bonds will be deposited with an escrow agent in trust pursuant to the terms and conditions of an escrow deposit agreement. Funds on deposit with the escrow agent will be used to purchase certain non-callable Government Obligations maturing at times and in amounts sufficient to provide funds, together with other funds deposited with the escrow agent and remaining unvested, to pay the principal of, premium, if any, and interest on the Refunded Bonds as the same become due and payable. The Refunded Bonds will be irrevocably called for redemption on December 1, 2008 at a redemption price equal to 101% of the principal amount of Refunded Bonds to be redeemed plus accrued interest to the redemption date.

Upon the execution of the escrow deposit agreement and the deposit of funds with the escrow agent as described above, the Refunded Bonds will no longer be “Outstanding” pursuant to the trust agreements under which the Refunded Bonds were issued and will not be secured by the Series 1998A Master Obligation, as the case may be, but will be secured solely by such Government Obligations, cash and other monies which may be deposited from time to time under the escrow deposit agreement.

On October 5, 2005, the Parent Corporation entered into a forward starting floating to fixed interest rate swap agreement with an effective date of February 16, 2006 and a termination date of December 1, 2028 (the “2006 Swap”) for the purpose of hedging the variable interest rate on the Series 2006A Bonds and the Series 2006B Bonds. The Counterparty to the 2006 Swap is Citibank, N.A., New York (the “Counterparty”). The Counterparty will pay floating rate payments based on a per annum rate of 62 % of one-month LIBOR plus 0.30% and the Parent Corporation will pay a fixed rate of 3.452% per annum, in each case on a notional amount equal to the principal amount of the Series 2006A Bonds and the Series 2006B Bonds. Settlements are made on the first Wednesday of each month. The agreement by the Counterparty to pay certain amounts to the Parent Corporation pursuant to the interest rate swap agreement does not alter or affect the Parent Corporation’s obligation to pay the principal of, interest on, or the redemption

price of any of the Series 2006A Bonds nor any other person shall have any rights under the 2006 Swap or against the Counterparty.

Ponder & Co. was engaged by the Parent Corporation to provide financial advisory services in connection with the 2006 Swap. Ponder & Co., is a national consulting firm that acts as financial advisor to healthcare organizations in matters of capital formation, including debt financing, interest rate swaps and strategic capital planning.

The \$227,970,000 Series 2006 Bonds (\$114,050,000, Series 2006A and \$113,920,000 Series 2006B) initially bear interest at the weekly rate. The payment of and interest on the Bonds is insured by a financial guaranty insurance policy issued by AMBAC. Wachovia Bank National Association provides the Liquidity Facility for both the 2006A and 2006B bonds under which it will purchase, subject to the terms and conditions set forth in the Liquidity Facility Series, 2006A and Series 2006B Bonds tendered or deemed tendered for purchase and not remarketed. The Liquidity Facilities for both the 2006A and 2006B Bonds terminate on February 15, 2011 unless renewed on extended prior thereto. Each Liquidity Facility may be replaced by an alternate Liquidity Facility, or a Self-Liquidity Arrangement. The Bonds are rated by Fitch (AAA/F-1), Moody's (Aaa/VMIG1) and S&P (AAA/A-1+). The long-term debt ratings are based on the issuance of the insurance policy by Ambac. The short-term ratings are based on the availability of the Liquidity Facility. In addition Fitch, Moody's and the S&P have assigned underlying ratings to the Bonds, based on the credit worthiness of the obligated group, of AA-, A1 and A+. Citigroup serves as the remarketing agent for the Bonds.

The 2006A and 2006B Bonds mature in the year 2007-2028.

The \$122,750,000 Series 2006C Bonds (\$61,525,000 2006C-1 and \$61,225,000 Series 2006C-2) initially bear interest at the Weekly Rate. The Series 2006C Bonds are insured by AMBAC. The Liquidity Facility is provided by Bank of America, National Association. The Bonds are rated by Fitch (AAA/F1+) and Moody's (Aaa/VMIG1) and S&P (AAA/A-1+). The long-term ratings are based on the AMBAC insurance policy. The short-term ratings are based on the provision of the Liquidity Facility by Bank of America, National Association. The Series 2006 C Bonds mature in the year 2006-2036. Citigroup serves as remarketing agent for the Bonds.

The \$123,275,000 Series 2006D Bonds (Auction Rate Securities) (\$61,525,000 Series 2006D-1 and \$61,750,000 Series 2006D-2) initially were issued as Auction Rate Securities in denominations of \$525,000 or a whole multiple thereof. The Bonds initially bear interest of Auction Rate for generally successive 7-day Auction periods at the election of the Parent Corporation. A Series of Bonds may be converted, in whole, to bear interest at Auction Rates determined on the basis of a 28-day period, a 35-day Auction Period, or a special Auction Period. The Series 2006D Bonds mature in the year 2006-2036. Citigroup Global Markets will serve as the initial broker-dealer for the Bonds.

The Series 2006D Bonds are rated by Fitch (AAA), Moody's (Aaa) and S&P (AAA) based on the AMBAC insurance policy insuring payment of principal and interest on the Bonds. The Bonds do not have a short term rating.

Womble Carlyle Sandridge & Rice, PLLC served as bond counsel. Robinson Bradshaw & Hinson PA served as counsel to Citigroup (the underwriters). First Citizens Bank and Trust Company serves as bond trustee.

#### **Mission Hospitals, Inc. - \$25,000,000**

On September 13, 2005 the Commission authorized the execution of a Master Equipment Lease and Sublease Agreement among Banc of America Leasing and Capital, LLC, the Commission and Mission Hospitals, pursuant to which the Commission will lease medical, computer, office and capital equipment for use at Mission Hospitals' health care facilities from Banc of America Leasing and Capital LLC and sublease the equipment to Mission Hospitals. The \$25,000,000 in leases will be utilized prior to December 31, 2007.

Robinson Bradshaw & Hinson, PA served as bond counsel for the transaction. McGuire Woods, LLP represented Banc of America Leasing and Capital, LLC.

#### **Alamance Regional Medical Center - \$10,000,000**

On August 17, 2005 the Commission authorized the execution of a Master Lease and Sublease Agreement, dated as of August 1, 2005 by and among Siemens Financial Services Inc., the Commission and the Corporation pursuant to which the Commission will lease medical, computer, office and other capital equipment for use at the Corporation's health care facilities from Siemens Financial Services, Inc., and sublease the equipment to the Corporation. The \$10,000,000 in leases will be utilized prior to December 31, 2008.

Helms Mullis & Wicker, PLLC served as bond counsel for the transaction.

#### **Rex Hospital, Inc. - \$30,000,0000**

On December 12, 2005 the Commission authorized the execution of a Master Equipment Lease and Sublease Agreement, to be dated as of December 1, 2005 among the Commission, the Corporation and Banc of America Leasing and Capital, LLC, (the "Lessor") pursuant to which the Lessor will lease the equipment to the Commission and the Commission will sublease this equipment to the Corporation.

The Equipment includes medical and information technology equipment and routine capital equipment. The leases will be categorized as capital leases for both tax and accounting classification and will be reflected as debt on the Corporation's books.

Womble Carlyle Sandridge & Rice, PLLC served as bond counsel for the transaction.

### **Transylvania Community Hospital - \$1,700,000**

On December 12, 2005 the Commission authorized the execution of a tax-exempt master lease agreement among the Commission ( the lessee) Banc of America Leasing and Capital, LLC (the lessor) and Transylvania Community Hospital (the sub lessee) pursuant to which the lessor will lease the equipment to the Commission and the Commission will sublease the equipment to the Hospital. The equipment includes (1) a PAC System, (2) a C-ARM, (3) endoscopy scopes, (4) a new ultrasound machine and upgrade of an existing machine and (5) bedside medication verification hardware. The leases will be utilized prior to September 30, 2006 and will be characterized as capital leases for both tax and accounting treatment and will be reflected on the hospitals balance sheet as debt.

Helms Mulliss Wicker, PLLC served as bond counsel for the transaction.

### **Novant Health - \$50,000,000**

On December 12, 2005 the Commission authorized the execution of a Master Lease and Sublease Agreement between Banc of America Leasing & Capital, LLC (the lessor), the Commission (the lessee) and Novant Health (the sub-lessee) to be capped at \$50 million and to be utilized prior to December 31, 2007. The equipment to be leased, includes, but is not limited to the following medical and medical related equipment: MRI, CAT Scan, Linear Accelerator, Respirator Monitors, Heart Catherization, Laboratory Equipment and Information Technology Equipment. The transaction is characterized as debt for tax purposes and as an operating lease for accounting treatment. Robinson Bradshaw & Hinson served as bond counsel for the transaction.

### **Duke University Health System - \$40,000,000**

On August 12, 2005, the Commission approved (1) an expansion of the Duke University Health System Tax Exempt Lease program to include the entering into a master lease program with Citimortgage and (2) an extension of the term of the program from June 30, 2005 to June 30, 2008. On August 17, 2005 the Commission approved the entering into of a master lease agreement with Citimortgage for up to \$40,000,000. The transaction is characterized as debt for tax purposes and as an operating lease for accounting treatment. Robinson Bradshaw & Hinson served as bond counsel for the transaction.

### **Cumberland County Hospital System, Inc. – DBA Cape Fear Valley Health System- \$37,020,000 and \$262,650,000**

On May 4, 2006 the Commission issued its \$37,020,000 North Carolina Medical Care Commission Health Care Facilities Revenue Bonds (Cape Fear Valley Health System), Series 2006A and \$262,650,000 North Carolina Medical Care Commission Health Care Facilities Revenue Bonds (Cape Fear Valley Health System), Series 2006B (Auction Rate Securities)



dated as of the Date of Delivery (May 4, 2006 for the Series 2006A and 2006B Bonds). The proceeds are being loaned to Cumberland County Hospital System, Inc., DBA Cape Fear Valley Health System (the “Corporation”), and will be used to (1) acquire from the County of Cumberland, North Carolina, the existing health care facilities operated by the Corporation, (2) construct a patient care tower, (3) construct and improve parking facilities, (4) renovate and improve other facilities, (5) acquire 100% of the membership interest in a limited liability corporation that is constructing an outpatient facility, including the payment of the construction loan therefore and completion of the facility, (6) acquire routine equipment, (7) pay a portion of the interest on the 2006 Bonds during completion of the foregoing projects and (8) pay certain expenses incurred in connection with the issuance of the 2006 Bonds, including the premium for the financial guaranty insurance for the 2006 Bonds.

The Cumberland County Hospital System, Inc. (the “Corporation”) is a North Carolina nonprofit corporation with its primary place of business in Fayetteville, North Carolina. The Corporation was originally organized in 1964 to operate the hospital facilities owned by the County of Cumberland (the “County”). The Corporation has continuously operated such facilities pursuant to a lease agreement with the County since that time.

The healthcare facilities currently operated by the Corporation are known as “Cape Fear Valley Health System” (“CFVHS” or the “Health System”). The Cape Fear Valley Health System includes: Cape Fear Valley Medical Care Center (the “Medical Center”), a 394-bed regional referral, acute care hospital; Southeastern Regional Rehabilitation Center (the “Rehabilitation Center”), a 78-bed rehabilitation facility; Behavioral Health Care of Cape Fear Valley Health System (“Behavioral Health Care”), a 32-bed psychiatric facility; and Highsmith-Raney, (“*Highsmith-Raney*”) a 112- bed long-term acute care hospital (“LTACH”). Cape Fear Valley Health System also includes Cape Fear Valley Home Health & Hospice, Cumberland County Emergency Medical Services, the Healthplex of Cape Fear Valley System, a medically oriented wellness center, and 12 primary care and 4 specialty care practices located in Fayetteville and surrounding areas (the “primary care practices” and the “Specialty Care Practices” respectively).

The Medical Center, which is located on an approximately 42-acre site (the “Medical Center Campus” or the “main Campus”) in Fayetteville, offers a broad range of inpatient and outpatient services.

The Medical Center ranks among the top institutions in the State by number of births, with over 4,000 deliveries during fiscal year 2005. The Neonatal unit, which is one of the largest in the State, includes 21 intensive care (level IV) beds and 23 intermediate (Level III) beds. The Medical Center offers antenatal care to high risk mothers facing various potential complications as a result of, among other things, multiple births, hypertension, and diabetes.

The Medical Center’s Cancer Center is one of the State’s busiest centers, providing over 18,500 radiation treatments and 5,400 chemotherapy treatments during fiscal year 2005. The Cancer Center is accredited by the American College of Surgeons Commission on Cancer as a Community Hospital Comprehensive Cancer Program. It is located on the Medical Center’s main campus and includes a radiation oncology department, a medical oncology department, a diagnostic breast center and an on-site pharmacy.



Other significant services offered by the Medical Center include: inpatient and outpatient surgical services including open-heart surgery, cardiac step-down care, medical and surgical intensive care, and neurosurgery; imaging services including positron emissions tomography (PET), magnetic resonance imaging (MRI), computerized tomographic scanning, diagnostic radiology, nuclear medicine, ultrasound, digital angiography, non-invasive vascular imaging and mammography; pathology and laboratory services; and respiratory therapy services.

The Medical Center's Emergency Department is a 57-Bed department, which treated over 90,000 patients during fiscal year 2005. Proceeds from the 2006 Bonds will fund among other projects, a replacement Emergency Department. The new space will expand to a 76-bed department with 45,000 additional square feet of space. Patient capacity will increase over 40,000 visits with the replacement facility. The current department is staffed by Board Certified emergency physicians and experienced emergency nurses, with support from emergency department technicians and unit clerks. The Department cares for all levels of trauma patients, but is not officially designated as a trauma center. The current department has a trauma bay, a chest area, a behavioral health area, a main emergency area and a fast track. Pediatric emergency services have a separate walk-in entrance and are located across the hall from the main emergency department, sharing the ambulance entrance. The Emergency Department has general radiology and CT scanning capability within the Department.

The Rehabilitation Center, with 78 licensed beds, is one of North Carolina's largest providers of inpatient rehabilitative care. The Rehabilitation Center provides rehabilitation services to adult and pediatric patients on an inpatient and outpatient basis. Services included special programs that focus on the needs of stroke victims and patients with brain injuries and spinal cord injuries. The Rehabilitation Center operates with eight outpatient clinics within the County, providing over 49,000 outpatients visits during fiscal year 2005.

In 1993 Cumberland Hospital, a 175-bed psychiatric hospital located on an approximately 5.4 acre site (the "Behavioral Health Care Campus") adjacent to the Medical Center Campus was acquired as a part of the Health System. In May 2003, the Corporation downsized its inpatient Behavioral Health Care program and transferred the remaining services and beds to a separate 32-bed facility on the Behavioral Health Care Campus. The newly renovated 32-bed facility operates under the Medical Center's acute care hospital license. A portion of the original 175 – bed psychiatric hospital building continues to be used as the Behavioral Health Care outpatient clinic, and to house various administrative functions. Behavioral Health Care currently provides inpatient and outpatient psychiatric services for children, adolescents and adults.

In April 1999, the County, in conjunction with the Corporation, purchased Highsmith-Rainey, an acute care hospital located approximately four miles from the Medical Center in Fayetteville. Prior to the purchase by the County, a for-profit national hospital chain owned Highsmith-Rainey and competed with the Corporation. It provided medical, surgical, intensive care, emergency and pediatric services on an inpatient and outpatient basis and those services were continued under the Corporation's management. In 2002, the Corporation leased the fourth floor of Highsmith-Rainey to an unrelated nonprofit corporation, which operated that floor as a long-term acute care hospital. In 2004, the Corporation acquired by merger the nonprofit corporation (the

lessee) and converted the entire facility from an acute care hospital into a long-term acute care hospital. At the time of the merger, the emergency department at Highsmith-Rainey was converted to a 24-hour express care practice.

The Cumberland County Emergency Medical Service, a division of the Health System operates an ambulance services presently consisting of 25 ambulances serving the population of the County.

Through Cape Fear Valley Home Health & Hospice, the Corporation provides comprehensive home care, including hospice services, to the communities of the County. This division, which has been licensed to provide home care since 1985 and hospice service since 1990, made 23,956 visits in the fiscal year ended September 30, 2005.

The Health System also includes sixteen primary and specialty practices. One practice is located in the Medulla center, four of the practices are located less than one mile from the Medical Center Campus, four are located within seven miles away, and the remaining seven practices are located from eight to 21 miles away. The practices include seven family medicine, three pediatric, one internal medicine, one obstetrics, one hospital, one geriatrics, one endocrinology and one infectious disease practices. All practices are staffed with board certified or board eligible physicians.

The Corporation will use the proceeds the 2006A Bonds, together with the proceeds of the 2006B Bonds, to (1) acquire the Health System, (2) construct a patient care tower, including an expansion of the emergency department, (3) construct and improve parking facilities, (4) renovate and improve other existing facilities, (5) acquire 100% of the membership interest in a limited liability corporation that is constructing an outpatient facility, including the payment of the construction loan therefore and completion of the facility, (6) acquire routine equipment for the Health System, (7) pay a portion of the interest on the 2006 Bonds during completion of the foregoing projects and (8) pay certain expenses incurred in connection with the issuance of the 2006 Bonds, including the premium for the financial guaranty insurance for the 2006 Bonds.

Simultaneously with the issuance and delivery of the 2006 Bonds, the Corporation and the County will enter into a Transfer Agreement under which the Corporation will use a portion of the proceeds of the 2006 Bonds to purchase from the County all of the County-owned facilities and related property that comprise the Health System, as permitted under N.C. Gen. Stat. § 131-E-8, from a public hospital to a private, nonprofit hospital system.

The Corporation has operated certain component parts of the Health System pursuant to a series of management lease agreements with the County since 1964. After the transfer, the Corporation will own the buildings which house Cape Fear Valley Health System's operations, the land on which the buildings are located and the related property, with the exception of certain buildings already owned by affiliates of the Corporation, and the equipment and furnishings in the buildings acquired. The reorganization of the Corporation and the acquisition of the Health System provides the Corporation with greater operating flexibility under North Carolina law. If the Corporation defaults in its obligations under the Transfer Agreement, the health care facilities may revert back to the County.

On the date the 2006 Bonds are issued, the County will use the proceeds from the sale of the Health System, together with certain funds held by the trustee for the County Bonds, after the issuance of the 2006 Bonds, the County Bonds will no longer be payable from Gross Receipts and the Obligated Group will have no liability with respect to the County Bonds.

A portion of the proceeds of the 2006 Bonds will be used for the construction, equipping and furnishing of an approximately 264,000 square foot patient care tower that will be attached to an integrated with the existing structure at Cape Fear Valley Medical Center at all levels and will include emergency department on the ground floor, an inpatient imaging services on the first floor, a heart and vascular center and a 36-bed observation unit on the second floor, a 48-bed unit consisting on 24 critical care beds and a 24 telemetry beds on the third floor, a 48-bed medical surgical unit on the fourth floor and mechanical support with half-floor shelled space on the fifth floor. Construction began in December 2005 and is expected to be complete in September 2008.

The single latest portion of the new patient care tower will be the approximately 61,000 square foot emergency department on the ground floor. The Medical Center's Emergency Department is currently a 57-bed department, which treated over 90,000 patients during fiscal year 2005, and will be expanded to a 76-bed department.

A portion of the proceeds of the 2006 Bonds will be used for the construction of an approximately 181,300 square foot, 5 level parking deck and some new and reconfigured ground level parking. Construction began in December 2005 and is expected to be complete in September 2008.

A portion of the proceeds of the 2006 Bonds will be used for (1) the renovation of existing space including the current emergency department and imaging department to be the primary outpatient diagnostic and treatment facility, with new construction for an outpatient entrance, (2) the renovation of outpatient registration, sleep lab and outpatient rehabilitation and (3) the renovation of outpatient surgery. Renovations are expected to begin in September 2008 and to be complete in September 2009.

A portion of the proceeds of the 2006 Bonds will be used to acquire an outpatient facility known as Health Pavilion North through the acquisition of 100% of the ownership interest in a limited liability company. The limited liability company has begun construction of the Health Pavilion North financed by a construction loan. 2006 Bonds proceeds will be used to acquire 100% of the ownership interest in a limited liability company and pay off the construction loan. Health Pavilion North will be approximately 63,000 square feet and is located at the southwest corner of Andrews Road and Ramsey Street. Completion is expected before the issuance of the 2006 Bonds.

A portion of the proceeds of the 2006 Bonds will be used to acquire routine equipment for the Health System, including Health Pavilion North.

The Series 2006A Bonds and the Series 2006B Bonds are rated Aaa by Moody's and AAA by Standard & Poor's. Payment of principal of and interest on both the Series 2006A and 2006B

Bonds is insured by Ambac. Moody's and Standard & Poor's have also provided underlying rating for the 2006A Bonds an A3 and A-.

Hunton & Williams, LLP and the Charleston Group served as Co-Bond counsel. Parker Poe Adams & Bernstein, LLP and Rand & Gregory served as co-underwriter's counsel. Ponder & Company served as financial advisor. The Bank of New York Trust Company, NA serves as bond trustee for both the Series 2006A and 2006B bond issues.

The \$37,020,000 Series 2006A Bonds mature in the years 2006-2013 with stated interest rates ranging from 5.00% to 4.50% with yields ranging from 3.50% to 4.07%.

Citigroup served as senior manager for the 2006A Bonds with Wachovia Bank, National Association as co-manager.

The \$262,650,000 Series 2006B Bonds are issued as auction rate securities in demoliton of \$25,000 or any intrugal multiple thereof. The Bonds initially bear interest at the 7-day Auction Period. The Corporation entered into a swap agreement with Citibank, National Association with respect to the 2006B Bonds in a notional amount of \$202,275,000 effective May 4, 2006. Under the Swap agreement the Swap provider will pay the Corporation floating amounts based on 63.5% of the London Interbank Offered Rate (LIBOR) plus .20%. The corporation will pay the Swap providers a fixed rate of 3.91%. Each payment is based on the outstanding notional amount of the Swap agreement. The 2006B bonds are subject to mandatory sinking fund redemption in the years 2006-2036. Citigroup served as senior manager for the Series 2006B Bonds with Wachovia Bank National Association and BB&T Capital Markets as Co-Managers. Citigroup Global Markets, Inc., Wachovia Bank National Association and BB&T Capital Markets serve as initial Broker Dealers for the 2006B Bonds.

### **Wake Forest University Health Sciences - \$196,050,000**

On April 26, 2006 the Wake Forest University Health Sciences Project Series 2002 Bonds were converted from the R-FLOATS made to the Short Term Auction Rate period in the seven-day mode. In connection with the conversion of the Series 2002 Bonds to the Short Term Auction Rate Period, the Issuer (NCMCC) and the Bond Trustee (First Citizens Bank and Trust Company) entered into a Supplemental Trust Agreement, dated as of April 1, 2006 for the purpose of amending in certain respects the Trust Agreement for the Series 2002 Bonds. The Amendment included among others, certain changes to the auction procedures and, the established of a minimum par amount that the Series 2002 Bonds can be, in any Auction Rate Mode of \$25,000,000. The amendments constituted a significant modification of the Series 2002 Bonds under Section 1.1001-3 of the Treasury Regulations and IRS Notice 88-130 resulting in a reissuance of the Series 2002 Bonds for purposes of Sections 103 and 141-150 of the Internal Revenue Code of 1986 as amended.

McGuire Woods, LLP served as bond counsel for the transaction. Merrill, Lynch, Pierce, Fenner & Smith, Incorporated and BB&T Capital Markets, a Division of Scott & Stringfellow, served as

the Initial Broker Dealers in connection with the issuance of the Bonds. Wilmington Trust Company serves as the Auction Agent.

#### **North Carolina Baptist Hospitals - \$162,400,000**

On May 3, 2006 the North Carolina Medical Care Commission effected a reissuance of the \$162,400,000 Hospital Revenue Bonds (North Carolina Baptist Hospitals Project), Series 2002. The interest rate mode for the Series 2002 Bonds was converted to the Short Term Auction Rate Period in the seven-day mode from the R-FLOATS mode. In connection with the conversion of the Series 2002 Bonds to the Short Term Auction Rate Period the Issuer (NCMCC) and the Bond Trustee (First Citizens Bank and Trust Company) entered into a Supplemental Trust Agreement, dated as of May 1, 2006 for the purpose of amending in certain respects the Trust Agreement for the Series 2002 Bonds. The Amendment made certain changes to the auction procedures and set a minimum par amount of \$25,000,000 for the Series 2002 Bonds at any time the Bonds are in the Auction Rate mode. The amendments constituted a significant modification of the Series 2002 Bonds under Section 1.1001-3 of the Treasury Regulations and IRS Notice 88-130 resulting in a reissuance of the Series 2002 Bonds for purposes of Sections 103 and 141-150 of the Internal Revenue Code of 1986 as amended.

McGuire Woods, LLP served as bond counsel for the transaction. Merrill Lynch Pierce Fenner & Smith served as the Initial Broker-Dealer. Wilmington Trust Company serves as Auction Agent for the Bonds.

#### **CaroMont Health - \$119,800,000**

On May 3, 2006 the \$120,000,000 original par amount (outstanding amount of \$119,800,000) Series 2003 North Carolina Medical Care Commission Hospital Revenue Bonds (CaroMont Health) Series 2003 Sub-Series A and B were converted from the Weekly Rate Period- R-FLOATS Mode to the Short Term Auction Rate Period-Seven Day Mode. In connection with the Conversion of the Series 2003 Bonds to the Short Term Auction Rate Period the Commission and the Trustee entered into a Supplemental Trust Agreement amending in certain respects the Trust Agreement for the Series 2003 Bonds including the auction rate procedures. Merrill Lynch serves as the Initial Broker-Dealer for the Series 2003 Bonds and Wilmington Trust Company, as the Auction Agent. Robinson Bradshaw & Hinson, PA served as bond counsel for the transaction. The transaction constituted a reissuance of the Series 2003 Bonds for tax purposes.

#### **NorthEast Medical Center - \$50,000,000**

On June 27, 2006 the Commission issued its \$50,000,000 North Carolina Medical Care Commission Variable Rate Hospital Revenue Bonds (NorthEast Medical Center Project) Series 2006A dated as of the Date of Delivery (June 27, 2006).

The proceeds of the Series 2006A Bonds will be used to (a) pay, or reimburse the Corporation for paying, a portion of the cost of the acquisition, construction and installation of the Project described below and (b) pay certain expenses incurred in connection with the issuance of the Series 2006A Bonds.

The project consists of the acquisition, construction, improvement, renovation, rehabilitation, expansion and equipment of various health care facilities of the Corporation, including (i) a new approximately 900-car visitor and outpatient parking garage on the Corporation's main hospital campus, (ii) a two-story expansion of the clinical services building of the Corporation's hospital containing approximately 108,000 square feet and an approximately 500 square foot renovation of such clinical services building, all of which will result in the replacement of 104 existing licensed beds and will include, among other services, a Children's Hospital, (iii) a renovation and expansion of the Corporation's existing Cancer Center consisting of approximately 11,500 square foot renovation and approximately 48,000 square feet of space in a new multi-story building, all of which will result in increased outpatient medical oncology, pharmacy, support and medical office space, and (iv) acquiring and installing other health care equipment.

Cabarrus Memorial Hospital, DBA Northeast Medical Center ("Northeast"), is a nonprofit health care organization operating a regional medical center in Concord, Cabarrus County, North Carolina (the "Medical Center"), and is exempt from federal income taxation under Section 501 (a) for the Internal Revenue Code of 1986, as amended (the "Code"), as an organization described in Section 501 (c) (3) of the Code.

The Medical Center's history dates back to the mid-1930's when Charles A. Cannon and his associate, George A. Batte, Jr., led an effort to pursue more accessible and full-service health care for textile workers that Cannon Mills had brought to Cabarrus County. In 1935, the General Assembly of North Carolina enacted legislation enabling Cabarrus County to establish a public hospital. Cabarrus County Hospital (later known as Cabarrus Memorial Hospital) opened in 1937 with 46 beds and 10 bassinets. Over the past 69 years, NorthEast has evolved from a small, county-owned public hospital into major facility expansion and renovation projects to accommodate a growing market, expanded service lines and new programs.

In 1990, Cabarrus Memorial Hospital changed its organizational structure to operate as a private nonprofit organization pursuant to Chapter 982 of the 1989 Session Laws enacted by the North Carolina General Assembly (the "1989 Act"). The 1989 Act authorized Cabarrus Memorial Hospital to operate the Medical Center in the same manner as a private nonprofit corporation operating an acute care hospital in the State of North Carolina without the limitations and restrictions applicable to public hospitals under the laws of the State. In 1997, Cabarrus Memorial Hospital began doing business as NorthEast Medical Center to more accurately reflect its competitive position in the Northeast quadrant of the Charlotte, North Carolina metropolitan area and its commitment to all aspects of patient care, clinical, education and research.

The Series 2006A Bonds are rated Aa3/VMIG1 by Moody's and AA/A-1+ by Standard and Poor's. The Bonds are subject to sinking fund redemption in the years 2008-2036 with final maturity November 1, 2036. The Bonds initially bear interest in the Weekly Rate Period. The Liquidity Facility is provided by Wachovia Bank, National Association and provides for the

purchase of Bonds tendered for purchase and not remarketed. First Citizens Bank & Trust serves as Bond Trustee. Robinson Bradshaw & Hinson, PA served as bond counsel. Helms, Mullis & Wicker, PLLC served as counsel to Citigroup (the Underwriter). Citigroup serves as remarketing agent for the Bonds.

*“The North Carolina Department of Health and Human Services does not discriminate on the basis of race, color, national origin, sex, religion, age or disability in employment or the provision of services.”*

*Seventeen copies of this report were printed internally for members of the North Carolina Medical Care Commission at an immaterial cost.*